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9 April 1986

EAST EUROPE REPORT

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AGRICULTURE

INTERNATIONAL AFFAIRS

ROLE OF AGRICULTURAL-INDUSTRIAL COMPLEX WITHIN CEMA DEFINED

Moscow/East Berlin INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT in German
No 6, 1985 pp 486-89

[Article by Dr Sc Econ Ivan Buzdalov of the Institute for the Economy of the Socialist World System of the Academy of Sciences of the USSR: "Cooperation in the Agricultural-Industrial Complex of the Member Countries of CEMA"]

[Text] The agricultural-industrial sector is developing, like the national economy, in accordance with the objective legitimacies of the social division of labor and of the cooperation of production. The Marxist-Leninist teachings on cooperation impart these legitimacies and make allowances for both the specific aspect of cooperative activity and the general characteristics of this continually deepening and expanding process of mutual relations. Practice in the socialist reorganization of agriculture and of other economic sectors in countries of the socialist world system shows the everlasting significance of Lenin's cooperative plan. V. I. Lenin formulated the fundamental theories on the role and the social functions of cooperation in the socialist economy. These theories led to the task of the involvement of the entire population in the development of socialism as active members of a cooperative. (Footnote 1). (V. I. Lenin: "Collected Works," Vol 33, p 453) The consistent realization of the methodical principles of Lenin's cooperative theory is an important prerequisite for the further perfection of the socialist means of production, for the consolidation of democratic foundations of economic management. The experiences gained by the socialist countries provide evidence of the possibilities of the application of Lenin's ideas in the direct participation of the working people in management, as well as in the personal and collective material interest in the effective development of production.

Cooperation in the agricultural-industrial complex (AIK) is widely present in the form of nationalized labor and of socioeconomic organization, and it includes the sectors of production, distribution and consumption. Numerous measures serve to consolidate cooperatives and relations between enterprises in the agricultural sector. Consumer cooperatives are expanding their activities as well. Commercial cooperatives are developing, as well as various cooperative forms in the area of housing and garage construction, in the setting up and utilization of sanatoriums and spas, as well as in services for the population. In the member countries of CEMA, up to 25 percent of the

entire labor force is employed in the cooperative sector. The share of cooperatives in retail sales is between 33 and 70 percent. Cooperative organizations make effective use of their own resources and of state credits. Economic bookkeeping, the covering of costs and economic independence activate the readiness of the members of the cooperatives for activity.

The increasing upswing in the cooperative movement in socialist countries provides the prerequisites for an even more active fulfillment of the socioeconomic tasks of cooperation in the AIK system. Cooperation between enterprises in the USSR, which has been realized on a large scale and includes state-owned enterprises, is clear confirmation of the political and economic significance of cooperation, which represents an effective and truly democratic form of nationalization.

Of greater significance in the further realization of the ideas underlying Lenin's cooperative plan is the implementation of the decisions made by the communist and workers parties of the socialist countries on the strengthening of cooperation in solving new problems of perspective in socialist economic management and in the effective functioning of the agricultural-industrial complex. Here, cooperation within the framework of the socialist world system shows many common characteristics in the activity of cooperative organizations, enterprises and facilities between enterprises. At the same time, this movement has peculiarities in individual countries that are caused by historical, national and other concrete factors. Expressions of these peculiarities include the scale of cooperation, the share of the cooperative sector within the socioeconomic structure of the AIK and the national economy as a whole, the system and the functions of management organs, and the forms of mutual relations between cooperative and state-owned businesses.

There are various forms of agricultural cooperatives in the socialist countries. In Hungary, Romania and Czechoslovakia there are national organizations or LPG [agricultural production cooperative] associations, which differ from country to country in their functions and their role in the economy and society. In the GDR, all important questions concerning the development of agriculture are discussed on the councils for agriculture and food economy, which are elected on the Kreis level. All LPG chairmen, all VEG directors and the directors of other state-owned enterprises, as well as outstanding cooperative farmers and workers, belong to these councils. The farmers congress, for which delegates are elected at Kreis farmers conferences, is convened periodically as a national forum.

The agricultural policy of the socialist countries is oriented towards the active use of cooperation in the furthering of nationalization, towards effective economic management and towards the consolidation of mutual economic relations, which is also true of international cooperation.

At the meeting of the Politburo of the Central Committee of the Bulgarian Communist Party and the Executive Committee of the Central Cooperative Association of Bulgaria on 2 March 1982, it was established that the course of the party in this area is oriented towards the most important socioeconomic functions of cooperation, towards the activization of initiatives, towards the preparation of the working people for social participation, etc. Comrade

Zhivkov emphasized that in its nature and in the content of its activities, the cooperative is a socialist organization of social labor in the full sense of the word.

Nearly the entire population of Bulgaria is involved in the Central Cooperative Association, the National Agricultural-Industrial Association and cooperatives for housing and for other areas. The unified national property is a combination of state-owned and cooperative property. The elevation of the level of nationalization of production is achieved to a very extensive degree through cooperative principles.

In both production and consumption in the AIK of Bulgaria, the formation of the various structural members and their activities takes place on a democratic basis, and mutual relations are based on economic agreements. The highest management organ of the Agricultural-Industrial Association is the congress. It is convened every 5 years and it elects the executive and controlling organs, specifically, the Central Council and the Controlling Council. The management system is based on the principles of democratic centralism. In their work, the management organs are accountable to the congress and the controlling organs and are guided by statutes and decisions of the congress, which are made on the basis of party decisions and national laws. The functions of the central management and controlling organs of the AIK are primarily concentrated on the creation of the prerequisites for consistent economic action in the entire system.

The production units in the process of agricultural-industrial AIK cooperation function on a democratic basis in terms of the eligibility for election to the management organs; this begins with the production teams. The requirements for the realization of cooperative relations are the same for cooperatives and state property. The system of relations, including distributional relations (composition of compensation funds) is in accordance with the cooperative principle. All decisions are voted on.

The strengthening of the democratic foundations of management with the help of the cooperative principle of free will in the composition and activities of the structural members of the AIK between enterprises and branches is also being achieved in other CEMA countries.

In Hungary, the democratic managerial methods based on this principle are being expanded, and they extend far beyond the framework of the cooperative sector of the AIK. The vast majority of the collectives of farmers and workers, as well as members of the intelligentsia, are included in cooperation. The collectives are the main producers of agricultural products. More than two-thirds of the population of Hungary belongs to production cooperatives, as well as consumption and industrial cooperatives. These organizations themselves establish relations between enterprises and enter on a cooperative basis into associations that are also for state-owned enterprises. As the 12th party congress of the Hungarian Socialist Workers Party emphasized, Hungary will continue the agricultural and cooperative policy that has proven itself in practice. The role of the National Council of Production Cooperatives in implementing democratic foundations of management, on the national level as well, is very large. In particular, the

opinion of the National Council and its Presidium is in every case taken into consideration in preparing government decisions with respect to production cooperatives and their members. Functionaries of the appropriate state and social organs are invited to the presidium sessions of this body. The form of mutual relations, including those with social organizations (Patriotic Front, Central Council of Labor Unions, etc.) has a contractual basis, through which the equality of the partners is guaranteed. Through the combination of the two forms of socialist ownership, the democratic foundations of management are strengthened. As Hungarian economists have determined, the strict protection of mutual rights in the cooperation existing between the structural members of the cooperative system, in the creation of agricultural-industrial organizations, industrial production systems and other formations between enterprises contributed greatly to the elimination of manifestations of a excessive regulation, an unjustified intervention in the AIK system.

The democratic managerial foundations characteristic of the collective system and the equal rights of the partners are also extended to relations between production units and state managerial organs of the AIK. Contractual relations develop between agricultural and industrial enterprises. Industrial enterprises buy up products on the basis of contractual agreements, process them and sell them via the commercial network. It goes without saying that in all cases there are unified plans, but they are not dictated from above, but rather are put forward democratically by agreements on an equal basis between independent partners of the the component systems of the AIK. The principle of centralized management is complied with through a qualitatively different managerial function for economic regulations in concentrating the role of planning organs on the implementation of economic strategy.

In the GDR, the agricultural policy of the party and the government is oriented towards a continual improvement in the utilization of all potential possibilities of agricultural cooperatives and of cooperative property, and towards the further consolidation of the cooperative farmer class. The seventh session of the Central Committee of the Socialist Unity Party of Germany, which took place in November 1983, stressed the significance of expanding and deepening cooperation in including LPGs as well as state-owned enterprises in the guarantee of equality, of free will and of all other principles of Lenin's cooperative plan in mutual relations.

In the management of agriculture and the food economy, the principle of democratic centralism is followed. Central plans are linked with far-reaching economic independence in the production cooperatives. The LPGs produce the majority of agricultural products and are thus the predominant form of enterprise in agriculture, whereby they also keep this significance in perspective. The high degree of concentration and specialization in agricultural production has been achieved thanks to the consolidation and the consistent application of the principles of cooperation.

The Plant Production LPG and VEG cooperates closely with the Animal Production LPG and VEG in their domain. Mutual relations are arranged by cooperative councils whose members are elected by the cooperatives and designated by the enterprise management of the national property. The members of the cooperative councils are accountable to the general assemblies of the

cooperatives. The cooperative councils gradually assume managerial functions, especially with respect to the further intensification of production, the coordination of plant and animal production, the full exploitation of social labor capacity, economical dealings with materials and energy and the development of labor and living conditions in small towns. With the deepening of cooperation, favorable conditions for the further development of productive forces and the accelerated application of the achievements of science and technology have been created. In this, the socialist agricultural enterprises remain legally independent and economically autonomous. The arrangement of relations between the enterprises takes place through cooperative agreements and the economic contract. They provide for the equality and equal responsibility of the partners.

There are also cooperative forms of production in horticulture (Horticultural Production Cooperatives), in freshwater and inshore fishing and in various forms in trade production cooperatives in the production services sector.

The cooperative movement is also developing and being consolidated in the AIKs of Vietnam, Mongolia, Poland and other socialist countries. In Romania, agricultural policy assumes the social equality of the cooperative and the state-owned sector on the whole. As was established at the June plenum (1982) of the Romanian Communist Party, the consistently socialist nature of the cooperatives and of the state-owned enterprises allows the conclusion that neither of the sectors is more important or less important, but that each has its place in the division of labor.

The cooperative sector is predominant in Romanian agriculture; it accounts for some two-thirds of the agriculturally productive land and the main volume of production, the growth rate of which is presently higher than that of state-owned property. The state-cooperative councils in the districts contribute to cooperation between enterprises and the formation of organizations. In the cooperative sector itself, there are organizations of cooperatives. Managerial activity is exercised on the basis of democratic centralism; the managerial organs are elected and mutual relations take place on a contractual basis. The activity of the consumption cooperatives is varied and extensive. They attend to domestic and foreign trade, to buying up goods and to industrial activity, undertake the design of buildings and provide various services to the population. Consumption cooperatives also include credit cooperatives. The consumption cooperatives provide for 13.2 million inhabitants, and two-thirds of the country's population is involved in retail trade. In the country, in small cities and in workers settlements, the cooperative share in retail sales is predominant, and it continues to rise sharply. A growing volume is allotted to Romania's consumption cooperatives in the area of purchasing activities.

The starting point in the agricultural policy of the CPSU is, as in economic strategy on the whole, that the further development of cooperative relations is not only useful in the economic realm, but that it also helps to instill in people the feeling of collectivism and direct participation in solving social problems.

The majority of the working people are employed in the cooperative sector of the AIK of the USSR, and a significant production volume is generated here. In 1983, there were 9,900 institutions between enterprises in the agriculture of the USSR, in which 163,000 enterprises were involved. Their basic funds grew in the period from 1970 to 1983 by a factor of 13.

The scale and the realms of activities of consumption cooperatives are expanding. Their significance in the socioeconomic development of the AIK and of the national economy as a whole can be assessed through the extent and the diversity of achievements. The number of members exceeds 60 million. In 1983, the share of retail sales by cooperative trade amounted to 28 percent of the turnover of goods, achieving a figure of 90 billion rubles, 18 percent of the restaurant and bar trade, and approximately 30 percent of the turnover in acquisition and purchasing. One-fourth of all products of the AIK were realized via consumption cooperatives. In their purchasing activities, in the restaurant and bar trade, in the food economy and in light industry, they are fully oriented towards the development of the third sphere of the AIK. Their main task is to supply the consumer with products. In this way, they are of great significance as large commercial organizations and as an important member of the sphere of circulation. With this task, the consumption cooperatives are responsible for important social and economic functions of socialist budgeting, such as the carrying out of economic bookkeeping, direct material interest and responsibility for the earnings of commercial activity.

Production cooperation between enterprises has contributed to the consolidation of democratic foundations in the management of all structural members of the AIK. The interbranch managerial organs, which were set up in accordance with the decisions made at the May plenum (1982) of the Central Committee of the CPSU on the rayon, regional, republican and union level, offer the possibility of overcoming departmental fragmentation. The councils of the rayon and other territorial agricultural-industrial organizations deliberate in accordance with basic regulations and with the backing of their elected members (managers of enterprises and institutions of the AIK) on all questions of economic and social development of agricultural-industrial production and make decisions on these matters. The members of the rayon agricultural-industrial organizations (kolkhozes, sovkhozes, industrial enterprises, service institutions) retain their economic independence and the rights of a legal individual. The role of economic contracts is becoming stronger in relations between partners.

Interbranch relations are increasingly assuming the character of cooperation based on mutually advantageous exchange on the basis of economic contracts, on economic interests and on direct responsibility for both branch and departmental earnings and the end earnings of agricultural-industrial production. The previous subordinate relationship remains intact, but departmental fragmentation is being eliminated. An important step in this development was taken in the Georgian SSR and the Estonian SSR. In the Estonian SSR, the AIK commissions with their predominantly advisory functions were replaced by an "agroprom," a republican agricultural-industrial organization, which works on the basis of economic bookkeeping in accordance with principles of cooperation.

The stronger use of economic regulations and the lever in the managerial system based on economic bookkeeping represent the "functional" side of the cooperative principles, and they are the basis for the further arrangement of the democratic foundations of management. The experience of the Soviet republics show that under these conditions, correlations between branches and enterprises can develop into voluntarily shaped, mutually advantageous cooperation.

The management of the AIK in Czechoslovakia takes place through the united Ministry of Agriculture and Food, with an increasingly strong expression of cooperative principles in economic and managerial activities on all levels. This has led in particular to a rise in the responsibility of the managerial organs for the decisions that must be made, which have become more objective and have been to a large extent coordinated with the subordinate enterprises. The latter are in turn more actively involved in management decisions.

The democratic foundations of management are maintained with increasing consistency both in the production cooperatives, which predominate in the agriculture of the CSSR, and in institutions between enterprises, where the principles of free will, eligibility to office on managerial organs, and their direct accountability to partner enterprises are similarly in force. The cooperative councils are democratic managerial organs with direct responsibility for common production activities. The 16th party congress of the Communist Party of Czechoslovakia set the task of continuing to develop cooperation in the AIK system.

The range of activity of consumption cooperatives in Czechoslovakia is also large. They belong to the Central Council of Cooperatives, which also encompasses the Czech and the Slovak association of trade cooperatives as well as the housing cooperatives. The range of activity of the consumption cooperatives applies especially to the rural areas, where 40 percent of the population of the CSSR lives.

Retail turnover of the consumption cooperatives nearly tripled in the period from 1960 to 1983. In modern commercial centers and department stores of the consumption cooperatives, the population is offered a wide range of food and industrial goods. The residents of small villages are supplied with consumer goods with the help of mobile vending booths. The involvement of consumption cooperatives in retail turnover amounts to over 25 percent.

In applying the principles of economic bookkeeping, of self-economization of means, of material interest and of responsibility for the consequences of economic leadership, the cooperative enterprises and institutions achieve a high degree of effectiveness. At the International Scientific-Theoretical Conference of members of cooperatives of CEMA countries in April 1983 in Moscow, evidence was given of effectiveness that is in part higher than that of state-owned enterprises. At the same time, it was pointed out that the cooperative system has the objective capability of achieving even better results in economic leadership if economic bookkeeping is applied universally and if democracy in management and economic independence are expanded.

The principles of cooperative organization of social production and of cooperative relations include not only larger and larger domains and correlations within countries, but are also gaining significance on an international scale. International cooperation between the CEMA countries and socialist economic integration are based on cooperative principles and a means of implementing them that corresponds to these principles, specifically, product-money relationships and an exchange of goods that is of mutual advantage. In the materials from the economic summit (1984) of member states of CEMA concerning the main focuses of further development and the deepening of economic, scientific and technological cooperation, it was recommended that production cooperation be developed further and that direct relations between enterprises, organizations and associations be strengthened.

There are currently over 1,000 bilateral and 120 multilateral agreements between CEMA countries concerning the specialization of products and cooperation. The value of goods delivered based on these agreements exceeds 8.8 billion rubles. Direct relations in border areas between the enterprises of the AIK and institutions of the consumption cooperatives are being expanded. Successful cooperative relations exist within the context of the entire international cooperative association, which unites some 370 million members of the world's cooperatives.

The extensive and everlasting significance of the Marxist-Leninist theory of cooperation is clearly confirmed by the continually deepening socioeconomic processes which characterize the new stage of Lenin's cooperative plan. Under current conditions, the scientific theories of cooperation prove themselves more and more to be a simple and reasonable form of economizing and nationalizing, in which societal and personal interests correspond to a large extent.

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ECONOMY

CZECHOSLOVAKIA

ENERGY COST DEVELOPMENTS, PRICING EVALUATED

Prague HOSPODARSKE NOVINY in Czech No 1, 1986 pp 8-9

[Article by Eng Miroslav Kubin, Candidate for Doctor of Science, General Director, Czech Power Generation Plants, Prague: "Prices At Odds With Efficiency"]

[Text] The article entitled Electricity Management, which was published in HOSPODARSKE NOVINY in issue No 10, 1985, addressed the problem of how to assure adequate and timely deliveries of electricity to the economy and the general public in the near future. This issue is closely related to the problem of efficient electricity usage. A number of programs are currently in place to facilitate greater efficiency in this area. The subject of this article is wholesale prices--the most critical element in improving the efficiency of electricity consumption. The author concludes that wholesale prices currently do not reflect the socially necessary costs of electricity acquisition, with the result that wholesale prices exert no pressure on users to better manage their use of this form of energy. Price increases planned for the Eighth 5-Year Plan are viewed in this article as inadequate, because the gap will actually widen during this period between the price of electricity and its acquisition costs. The recommendation is made, therefore, to change a number of rates and rating principles.

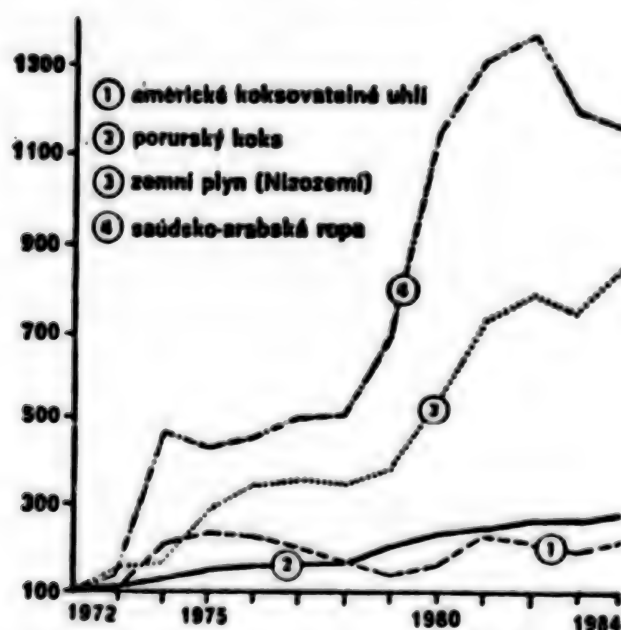
The ratio of gross national product and per capita electricity consumption indicates that mean energy consumption per unit of production in the CSSR remains high, higher than in most industrially advanced countries. This in turn means that current measures aimed at improving energy utilization efficiency have so far not brought the anticipated savings.

Long-Term Trends and Their Impact

Pricing policy must make a contribution to any improvement in this situation. One must begin by stating that the current level of wholesale prices for electricity in the CSSR do not reflect the socially necessary costs of its acquisition. This is also the reason that the electricity generation sector has been receiving subsidies for capacity enhancing capital construction and has had a lesser percentage of its profits transferred to the state budget than most industrial sectors. Moreover, an excessively high percentage of this construction financed with internal resources has increased from 38 percent in 1976 to 48 percent in 1984.

The current wholesale price levels for electricity in the CSSR have resulted from long term price formation trends, and in particular low levels of price increases through 1976. The policy of inexpensive energy, justified by the need to develop our economy rapidly, with an emphasis on energy-intensive products, was made possible in part by easily accessible primary energy resources--mainly surface deposits of brown coal. This period (1948-1976) also saw the greatest average annual increase in the history of power generation, 8 percent.

Worldwide energy problems connected with the explosion in the prices of primary resources in world markets (Graph No 1) made it necessary to adapt the fuel and power policy of the CSSR to this new situation. The top priority in this area is to reduce the energy intensiveness of the national economy by increasing the utilization efficiency of all forms of energy. This program is outlined in State Priority Program 02, and involves limits on consumption, individual and enterprise penalties for exceeding these limits, economic incentives to reduce consumption (penalties are expected to have more results) and, finally, economic mechanisms as well, one of which is pricing policy.



Graph No 1. Development of Prices of Primary Energy Resources on World Markets 1972-1984 (1972=100)

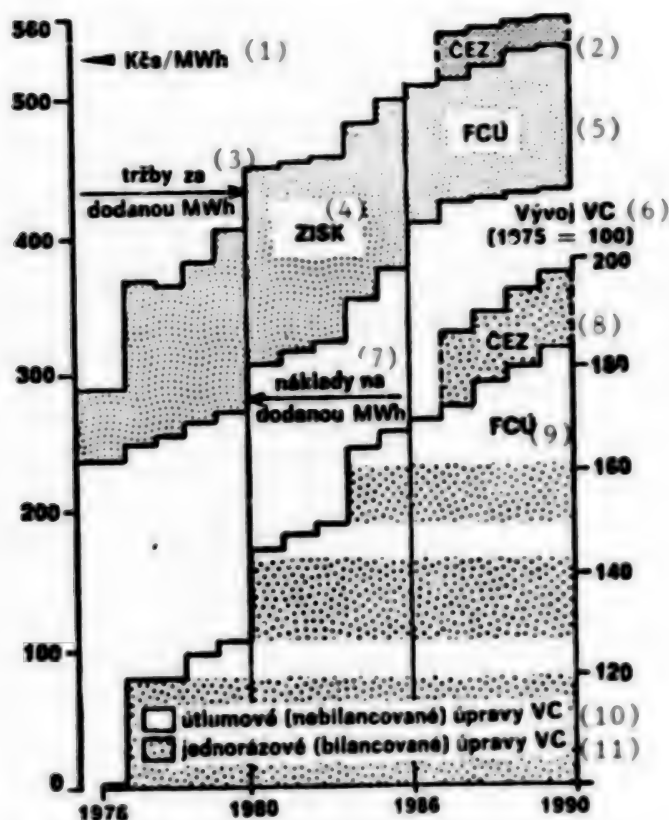
Key:

1. American coking coal
2. Ruhr coke
3. natural gas (Netherlands)
4. Saudi-Arabian crude oil

The adjustment in wholesale electricity prices implemented on 1 January 1977 increased these prices by 21 percent. This was followed in 1979 by an annual gradual increase in these prices (3 percent in the first year, then 2 percent over published rate structures in subsequent years). These latter increases were not included in the financial plans of users (planned costs). This meant that consumers were forced to absorb these increases, as long as their costs did not increase by more than 0.14 percent.

Additional price increases for electricity were put in place in 1981 and 1984. These increases were 13 percent and 7 percent, respectively, over prices of the previous year. Graph 2 shows this development in prices, as well as the evolution of prices for delivered electricity (including that provided to the general public and that which was exported), the average costs for the generation and transmission of electricity, and the resultant profit per delivered megawatt hour. The graph clearly shows that during periods when the only price increases for electricity were those that were absorbed by consumers there were only insignificant increases in the average selling price. In the power generation sector these small increases, for practical purposes, only served to offset the absorbed increase in the costs of power generation fuels and the increased costs of maintaining power generation equipment. If there had been no increase at all in electricity prices the average selling price of electricity would have fallen in 1978.

Graph No 2. Development of Wholesale Electricity Prices, Revenues and Costs per Megawatt Hour, 1976-1990



Key:

1. Kcs per megawatt hour
2. Czech Power generation Plants
3. revenues per delivered megawatt hour
4. profit
5. Federal Pricing Office
6. wholesale price evolution (1975=100)
7. costs per delivered megawatt hour
8. Czech Power generation Plants
9. Federal Pricing Office
10. absorbed (not offset) adjustments in wholesale prices
11. one-time (offset) adjustments in wholesale prices

Notes: eighth 5-year plan=projections only

Why Costs are Increasing

Given no changes in the rate structure, the decline in average electricity prices will be of a long-term nature. This follows logically from the continual growth in electricity consumption, from the structure and differing cost levels for electricity transmission (the average of fixed and variable costs, consumption at various voltage levels, etc.) and, indirectly, from

the rate structure itself. Specifically, this is caused by greater increases in consumption at the less expensive, lower rate structure, resulting from use during times of lower loads on the electricity system of the CSSR, rather than use at higher rate structures.

This trend, furthermore, is also caused by more rapid increases in consumption on the part of large consumers drawing from the very high voltage grid (to which lower electricity prices apply) in comparison with the rate of increase for consumers drawing on the high voltage grid. Lower average prices also result from the reduced percentage accounted for by fixed components of rates as consumption increases. All these long range trends, on the other hand, are having a positive impact on the load pattern on the electricity grid and on the development of costs for the transmission of electricity.

The one-time and absorbed adjustments in prices of 1984 increased the wholesale price of electricity by 33 percent in comparison with 1980, an average annual increase of 5.9 percent. Using the comparative methodology of allocating costs to electricity and heat when they are cogenerated this average annual increase is 5.4 percent. But even this growth rate of wholesale prices was not sufficient to offset the increased costs of its acquisition.

Costs and Revenues for Electricity Delivered to Users in Kcs per Megawatt Hour

	1980	1984	average annual index
variable (fuel) costs ²	112.70	157.48	1.087
fixed costs	161.59	202.52	1.058
including generation ²	96.82	131.77	1.081
distribution	41.00	45.86	1.028
system management	23.77	24.89	1.012
total costs	274.29	360.00	1.070
revenues	404.44	473.00	1.040
profit	130.15	113.00	0.965

Notes: 1) assumes caloric method for allocating costs between heat and electricity;

2) costs for energy procured both domestically and from abroad are divided into fixed and variable costs based on cost structures of traditional thermal power plants.

In addition to increased fuel costs, cost increases in the acquisition of electricity were the result of a number of factors, among them:

--increased average investment costs for the electricity generation sector, not only for the construction of traditional thermal electric power plants, but mainly for the construction of nuclear power plants. This results in increased depreciation charges, increased interest, and increased operating costs related to the planning and execution of capital construction projects;

--increases in the average costs of repair and maintenance related to increased costs;

--the necessity for dealing with the negative impacts of changes in the thermal and physical properties of fuel on the reliability, economical operation, and wear and tear on generation facilities;

--the necessity for increasing the reliability of operation of the electricity grid even at the price of extending the operation of existing generation facilities and distribution facilities beyond their economically useful lifespan. This includes making the needed repairs to equipment during overhauls (during a single down period) for heat consumption;

--increasing the percentage of repairs performed by suppliers, and subcontracting some of the repairs to foreign suppliers;

--increased prices for spare parts;

--programs to minimize the negative impact of power generation plants on the environment.

Measures that have been adopted to rebuild and modernize electricity generation plants have been unavoidable and mandated by CSSR Government resolutions. This program will continue in an expanded form in the Eighth 5-Year Plan.

Lack of Incentives

One can make the following conclusion: In recent years the wholesale price of electricity has declined relative to acquisition costs. Moreover, this has occurred in a situation where we have been trying to move to an energy conservative mode of economic development. Also, despite all the above mentioned price adjustments we have not succeeded in developing an environment where electricity prices provide incentives for conservation. Wholesale prices, in other words, are not currently exerting enough economic pressure in the direction of increasing consumption efficiency.

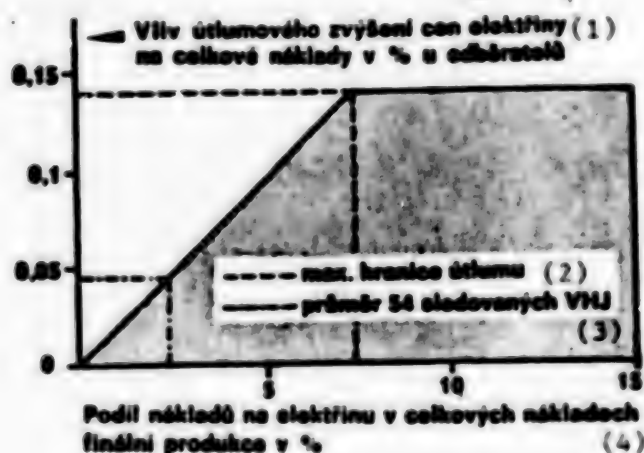
Electricity costs for most economic production units [VHJ] remain a relatively small percentage of total costs. As a result electricity costs are not among the areas usually targeted by management in efforts to reduce unit production costs.

A study which we conducted of 54 large industrial VHJ indicated that in 1984 electricity costs for 45 of them did not exceed 5 percent of total costs. Furthermore the lowest percentage of electricity costs was 0.48 percent, and the mean percentage of electricity costs was only 1.74 percent. In only six VHJ were electricity costs as much as 7 percent, and only three VHJ had electricity costs that were more than 10 percent of their total costs.

Graph 3 represents the impact of a 2 percent increase in the wholesale price of electricity--a so-called absorbed price increase--on the costs of final production. In other words it shows the percentage of electricity cost increases which enterprises are required to absorb in their financial

planning. In organizations where electricity costs are more than 7 percent of total costs, impacts above this level may be taken into account when specifying the tasks of the financial plan.

Graph No 3. Impact of Absorbed Increase in Price of Electricity of 2 percent on Total Costs of Consumer



Key:

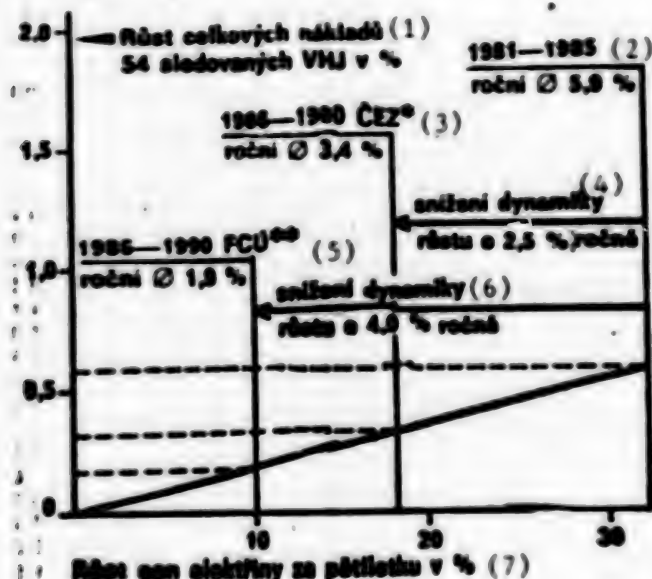
1. percentage impact of absorbed increase in electricity price on costs of producer
2. maximum limit for absorbing increases
3. average of 54 studied VHL
4. electricity costs as percentage of total production costs

The graph also indicates the average impact of a 2 percent absorbed increase in wholesale prices on the total costs of the studied group of 54 VHL. From the average of 0.0348 percent it is clear that our current strategy can have no intensive economic influence on increasing the efficiency of electricity consumption. We must therefore consider whether it might not be effective in the Eighth 5-Year Plan to set a goal of increasing the wholesale price increase that must be absorbed in cost structures from the current level of 2 percent to 4 percent, with the amount of the increase that must be absorbed in costs increases from 0.14 to 0.3 percent.

Existing proposals for planned increases in wholesale electricity prices, however, indicate that no such increase is being considered for the Eighth 5-Year Plan. Nor are there currently any plans for further one-time adjustments in wholesale electricity prices. In comparison with the growth of wholesale prices in the Seventh 5-Year Plan the above policy would result in a substantial limitation on their growth (see Graph 4) that is not justified by economic priorities. In view of the low percentage of total costs represented by electricity costs in the value of final production there need

be no fears that increases in electricity prices will cause inflationary spirals in the wholesale prices of final production.

Graph 4. Comparison of Electricity Price Increases in Seventh and Eighth 5-Year Plans



Key:

1. percentage increase in total costs of 54 studied VNH
2. 1981-1985 average annual increase, 5.9 percent
3. 1986-1990 average annual increase projected by Czech Power generation Plants, 3.4 percent
4. reduction in growth rate of 2.5 percent annually
5. 1986-1990 Federal Pricing Office projection, average annual increase of 1.9 percent
6. reduction in growth rate of 4 percent annually
7. 5-year percentage increase in electricity costs

Such a policy will not result in meeting the targets mandated by the CSSR Government in supplement No 3 to Resolution No 99 of 1983. This supplement provided for a gradual increase in the prices of fuel and energy so that after 1990 these prices would reflect actual nationwide costs for the acquisition of these resources, thus exerting pricing pressure for fuel and energy conservation by users and optimizing the costs of constructing, developing, researching and distributing individual forms of energy, as well as lending support to efforts to make optimal use for available domestic forms of energy, including nontraditional sources.

Budget Resolves Problems

From Graph 2 it follows that given the projected policy for the development of wholesale prices for electricity in the Eighth 5-Year Plan the gap would

increase between the evolution of prices and costs for acquiring electricity, and that the average profit per delivered megawatt hour would decline. At the same time electricity costs as a percentage of total production costs would decline. This would mean that the problem of covering the financial needs for the development of the electricity generation sector would fall with even greater intensity on the state budget.

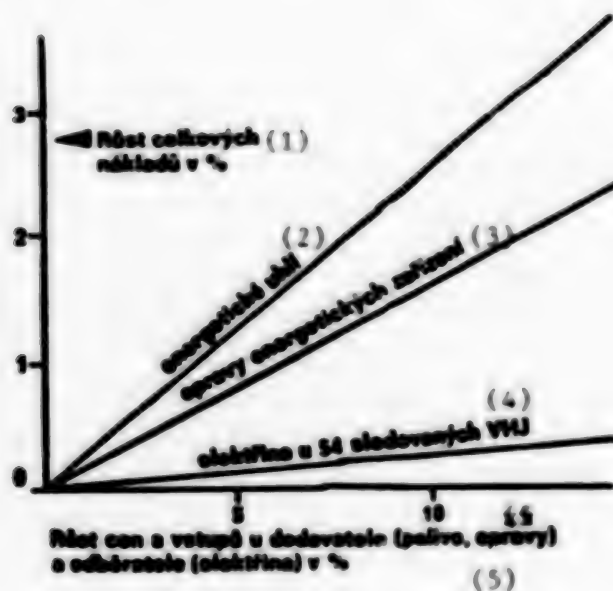
We would be kidding ourselves to think that in the near future the only increases will be in the acquisition costs for domestically extracted fuels, or that the increased costs of electricity acquisition will be relative solely to increased fuel costs. Those factors which contributed to increased fixed costs for delivered electricity in the Seventh 5-Year Plan will have an even greater impact in the Eighth 5-Year Plan, especially those costs involved in the repair, modernization and upgrading of power generation facilities.

It is essential to continue the program of increasing the reliability of existing installations and of dealing with the gradual worsening in the thermal and physical properties of fuel, and minimizing the negative impact of power plant operation on the environment. We are not the only country that has underestimated the costs involved in these programs.

It is also necessary to consider that the formation of prices for overhauling, upgrading and modernizing existing facilities through subcontracting relationships and price formation for capital construction are independent calculations. For this reason the inclusion of the projected annual reduction in the prices of final production into the cost structure of the power generation sector is problematic and hard to control. The increase in prices for repairs and of fuels for power generation also exert an impact on increasing total costs for the delivery of electricity that are many times more substantial than increases in the price of electricity as a percentage of final production costs (Graph No 5 and Graph No 3).

Moreover, and in contrast to the Seventh 5-Year Plan, the fixed costs of electricity generation will be affected by the fact that traditional thermal power plants will be gradually assigned to off-peak generation periods within the power grid. They will come to fulfill the function of regulators of the equilibrium between sources and consumption. This implies that these generation facilities will gradually come to use fewer capital assets, which will increase the average costs of electricity deliveries.

Graph No 5. Impact of Increased Prices for Inputs on Supplier and User Costs of Electricity



Key:

1. percentage increase in total costs
2. power generation coal
3. repairs to generation facilities
4. electricity for 54 studied VÚJ
5. percentage increases in prices and inputs for suppliers (fuel; repairs) and users (electricity)

After analyzing the pricing policy for electricity in the Seventh 5-Year Plan we concluded that the rate of growth of electricity prices was lower than the rate of increase in its generation costs. This was true even though prices increased by 33 percent during the Seventh 5-Year Plan. If we are prepared to accept wholesale price increases for electricity of only 10 percent in the Eighth 5-Year Plan the gap between the price of electricity and its generation costs will increase, thereby further weakening the incentive function of electricity prices.

In addition, the proposed increases in wholesale electricity prices for the Eighth 5-Year Plan will not make it possible to make necessary changes in the rate structure. A properly constructed rate structure has a favorable impact on the uniformity of electricity consumption, i.e. on the pattern of the daily load on the electricity grid, and on peak load output, especially of pumped-storage hydroelectric power facilities. Load patterns also affect international cooperation in terms of integrated power generation systems. A change in the strategy for the evolution of wholesale prices for power generation is therefore, not merely a economic matter, but a production-technical matter as well.

Current Rates Out of Line

To assure that rates perform the functions outlined above we would propose a substantial increase in the low rate currently charged for small scale consumption by socialist organizations (from 22 halers to 45 halers per kilowatt hour) and to change rate conditions so as to make it possible to manage operatively the load on the electricity generation system. To date, the low rates have been constructed so that they were based only on the variable costs of generating and transmitting electricity from the low voltage grid (the costs for fuel). Fixed costs and profit were fully incorporated in higher rates. This methodology, which has been in use since the 1930's, assumes that the low rate is limited in terms of time to the free output of electricity generation facilities.

Currently, however, because of the development of electrically operated storage heating systems and electrically operated storage heating systems for process water and the resultant changes in the daily load pattern on the electrification grid, this previous assumption no longer applies. The objective of the proposed increase in the lowest rates is to adjust the ratio between the lowest and the highest rates (to 45:100), so that the load pattern on the electricity grid can be better managed with particular attention to providing the electricity for heating and for the preparation of warm process water.

We are further proposing to increase the lower rates for large scale and medium scale users by way of adjusting the ratio between the low, high and peak load rates for these users. The purpose of this adjustment is to make these rates more closely reflect the distribution of generation costs over time, i.e. over the daily load pattern for the electricity generation system.

In addition, it would be desirable to increase substantially the rates for public lighting--from 36 halers to 50 halers per kilowatt hour. This would eliminate the losses currently incurred at the lower rate (which has a negative return of 30 percent) at the same time that it would increase the pressure to increase the efficiency of electricity consumption in this area (by installing more efficient bulbs and control equipment for the operation of public lighting systems.).

It is also essential to eliminate the advantaged rate currently granted to small-scale agricultural users. This policy is a hangover from the collectivization period when it was important for political reasons. In comparison with other small-scale users (health care, education, services, etc.), farmers are currently receiving an economically unjustified 33 percent discount on their electricity rates. This low rate works against increased efficiency in electricity consumption and offers no incentives to explore the use of nontraditional and secondary energy sources.

In addition to the foregoing, we would propose the introduction of a three-tier peak-load structure for large scale users, with peak-load rates differentiated by the useage that is achieved from the maximum consumed output. The use of such a three-tier structure will create economic incentives

for these users to work out individually their electricity usage in the peak-load zones (based on the requirements of the electricity grid). Substantial differentiation of peak-load rates based on the usage achieved from the maximum consumed electricity output will create an economic incentive for users not only to reduce peak load usage, but also to reduce maximum peak-load electricity output.

The above measures can be implemented only through a one-time increase in the wholesale price of electricity. The currently planned annual, gradual increases in wholesale electricity prices over the Eighth 5-Year Plan do not create the proper conditions for the needed adjustments in rate policy.

Other Needed Modifications

Besides the above changes in the rate structure for organizations, we would propose still other changes in rating principles that will not have much of an impact on price levels. The objective of these changes would be to improve the efficiency of management of the loads in the electricity grid by managing the time periods when low rates apply with the help of the large scale remote control of appliances based on the immediate requirements of the electricity grid. Adjustments in rating principles should also make it possible to utilize large scale remote control to increase the efficiency of electricity consumption at the user level by controlling the operation of electrical heating installations.

Such a program would work as follows. Low-rate household appliances would be hooked up, with electrically operated storage heating and process water heating equipment (at rate BV), in specific areas to a large-scale remote control signal. Only a portion of the total time when the lower rate applies (for example 3 hours) would be announced definitely a specified time in advance (assume 10 days or so). The remaining time (5 hours) would be allocated operationally depending on the load on the electricity grid. As a concession to users, the time period when the lower rate applies will be extended from 8 to 10 hours on non-working days.

We would also propose hooking up low rate appliances belonging to small scale users at socialist organizations, for the same reasons that we propose doing so for the general public. No concessions, however, would be provided to these consumers. Low rate electrically operated heating systems of small-scale socialist organizations should be hooked up based on the outside temperature and the operating schedules of the organization, with the objective of increasing the efficiency of electricity consumption for heating purposes. There are two possible resolutions:

--the user has electrically operated heating and process water heating. Low rate appliances would then be hooked up, through a three-command receiver, to a large-scale remote control unit for an 8-hour day. During this time period electricity would be provided to process water heaters, and storage heaters would be operated based on outside temperature and the operating schedule of the organization;

--the user has only electrically fired heating. In such instances the electric heaters would be operated by a single command signal hooked up to a remote control unit in conjunction with the outside temperature.

Projections for fuel and power usage include the further development of the electric heating of households. An additional 250,000 households are scheduled to be provided with electric heating. This objective, however cannot be accomplished with only storage systems. This conclusion was reached on the basis of studies evaluating the potential and conditions for the development of electric heating and process water heating in terms of the technical and economic consequences of the growth of this segment of usage on the operation of the electricity grid of the CSSR.

In the near future, therefore, the further development of electric heating will be focused mainly on regulated, mixed electric systems. At a later date the larger scale application of direct electric heating is planned (the Ninth and Tenth 5-Year Plans). Therefore producers of storage furnaces have been directed to develop and produce hybrid electric furnaces and to market them as soon as possible.

Hybrid electric furnaces have, in addition to the heating element for storage, an auxiliary direct heating element. By making it possible to provide some of the needed heat on cold days with the direct heating element during off-load periods (system load decreases in the afternoon, for instance) it is possible to reduce the installed capacity in the storage portion by 40 percent over that needed for a fully storage operated furnace. This in turn reduces demands on the transmission capabilities of the distribution grid during the nighttime peak-load period, thereby making it possible to hook up more electrically heated households and increase the usage of installed storage unit capacity during the nighttime periods of low loads on the electricity grid.

The operation of the direct heating element would for practical purposes be limited to the coldest of days, with the storage portion of these units being fully adequate for the vast majority of days in the heating season. The direct heating element would be operational during the afternoon period of low electrical grid load in conjunction with the outside temperature. Its operation will also be controlled by thermostats in the rooms being heated.

We want to assure the advantages of regulated, hybrid electrical heating over those of purely storage-based heating, especially when controlled by remote control, by introducing a new rate structure for households with this type of heating. A proposal for this new rate structure has been submitted to the Federal Price Office.

Proposed pricing adjustments do not affect the general public. The percentage of total electricity consumption accounted for by households is increasing, and therefore so is the percentage of household incomes allocated to this purpose. Electricity is replacing light heating oil, diesel fuel, coke and classified coal for heating and represents an efficient substitute.

It is difficult to eliminate negative social consequences, for instance the hardships this imposes on families with several children, and to establish a just rate structure tied to the useage of various forms of energy, the age structure and size of families. Nor have we yet been successful in eliminating the significant differences in the costs of various types of heating (electricity being the most expensive, then gas), etc.

In conclusion it may be stated that efforts to increase the efficiency of electricity consumption that are backed up by specific programs (limits, standards, penalties, state priority program 02, etc.), along with public inspections of fuel and energy management, are not adequately supported by economic mechanisms. As our analysis has shown primary energy will continue to be more and more expensive. If the changes proposed in this article are not implemented users will experience lower electricity prices in the Eighth 5-Year Plan than in the Seventh 5-Year Plan. Such a situation will not, however, make any kind of a contribution to a more energy conscious model for the oepration of our economy.

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ECONOMY

CZECHOSLOVAKIA

SEVENTH, EIGHTH 5-YEAR PLANS COMPARED

Prague HOSPODARSKE NOVINY in Czech No 3, 1986 pp 1, 4

[Article by Vaclav Vertelar, first deputy chairman of the State Planning Commission]

[Text] Last week, the proposal for the Main Directions of the Economic and Social Development of CSSR for 1986-1990 and Prospects for the Period up to the Year 2000 was presented to the public for discussion. Following debate and approval at the 17th Congress of the Czechoslovak Communist Party, they will become the binding program for further all-around development of our society in the second half of the 1980's, a directive for finalizing the blueprint of the Eighth 5-Year Plan.

Preparations for the Eighth 5-Year Plan have been going on intensively since 1983, when the federal government approved the method and the system of basic principles for constructing the 5-year plans. In contrast to previous periods, we are completing the proposal for the Eighth 5-Year Plan under conditions where we have at our disposal the first prognoses and hypotheses of development for the period up to the year 2000, and a long-term prospect for economic and social development up to the year 1995. Using them as a starting point, the first proposals for the Eighth 5-Year Plan by the economic production units, departments, and national committees have been worked out, and eventually a preliminary proposal for the Eighth 5-Year Plan for the development of the CSSR national economy, of which the approved state operations plan for 1986 is an integral part. The status of the work on the Eighth 5-Year Plan was discussed at the 16th Plenum of the Central Committee of the Czechoslovak Communist Party.

The proposal for the Eighth 5-Year Plan is preliminary not only because the final directives for its completion will be established at the 17th Congress of the Czechoslovak Communist Party, but also because thus far the State Planning Commission, in cooperation with federal and national agencies, has not succeeded in realistically and demonstrably accomplishing all the assigned demanding tasks. For that reason, specific tasks have been established at the 15th and 16th plenums of the Central Committee of the Czechoslovak Communist Party and by resolutions of the federal and national governments; their fulfillment is currently being pursued.

The purpose of this article is to point out the need for and realism of the given tasks, but at the same time also the exacting requirements for their fulfillment, that is, the new quality of the economic development. In many sectors and levels of management we can see a tendency to continue basically the old way of doing things, which cannot be relied upon to ensure the needed change to intensive development.

Further, the numbers in the preliminary proposal are in many respects rather minimal and it will be necessary to work them out in specific terms in accordance with the tasks stipulated in the proposal for the Main Directions.

New Quality of Economic Growth

In his concluding address at the 16th Plenum of the Central Committee of the Czechoslovak Communist Party, Comrade Gustav Husak stressed that in developing the Eighth 5-Year Plan, the central political consideration is to ensure the necessary dynamics of socio-economic development. He further stated: "The internal needs of our society, ever more intense international economic competition, and the rapid rate of research and development absolutely demand that we move forward faster. Only thus can we ensure the necessary resources for the growth of the standard of living, for resolving certain social questions, for investment in research and development and modernization of the economy, and for other essential needs."

There have been and are many discussions concerning the dynamics of economic development, the specific level of the growth of national income in the next period, and there are differing and contradictory views. During the course of developing the Eighth 5-Year Plan, a number of analyses of the development of our economy have been made, as well as international comparisons of the dynamics of development, a number of variants on long range development worked out, and assessment made of the possibilities of utilizing potential unused resources of our economy while changing to an intensive type of development.

The development up till now shows--even in comparison with advanced capitalist countries--that the dynamics of the gross national income, or the gross national product, for the past 15 and 5 years have been rather above average (see Table 1).

Table 1

(1)				
Tabulka č. 1				
(2) Průměrná roční tempa hrubého domácího produktu (v %)				
(3)	1971— 1975	1976— 1980	1981— 1985*	1971— 1985*
ČSSR	5,8	4,0	2,1	4,0
Evropské hospodář. společenství (4)	3,7	3,1	1,1	2,3
(5) 1985 — očekovaná skutečnost				

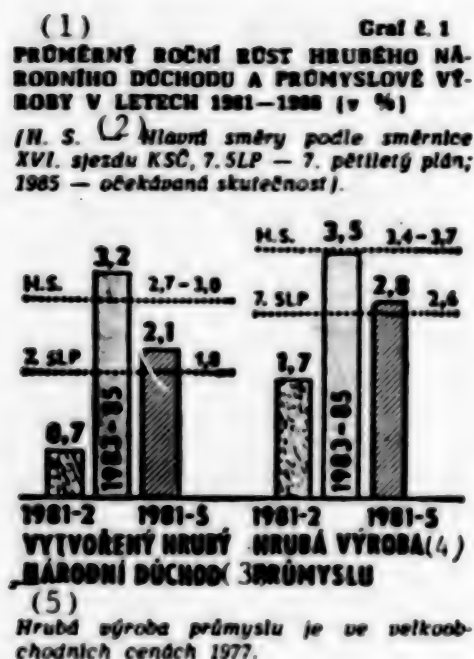
Key:

1. Table 1
2. Average Yearly Rate of Gross Domestic Product (in percent)
3. Czechoslovakia
4. European Economic Community
5. *--expected

The evaluation of the results of development during 1981-1985 indicates that the basic conceptual purpose of the Seventh 5-Year Plan has been achieved. Even given the lower dynamics of growth during the initial years, the basic goals and tasks of economic policy will have been essentially fulfilled, as they were decreed by the 16th Congress of the Czechoslovak Communist Party. Progress was made in enforcing the strategic line on intensification and increased effectiveness of development.

During the last 3 years of the 5-year plan, the dynamics of creating the national income, as well as those of a number of manufacturing branches, reached not only the average yearly growth required by the Seventh 5-Year Plan (which, counteracting the original plans for the first 2 years, was modified as a result of the worsening of both the external and internal conditions), but it also essentially meets the requirements for average yearly growth as decreed by the 16th Congress of the Czechoslovak Communist Party in the Main Directions of the Economic and Social Development of CSSR During 1981-1985 (see Graph 1).

Graph 1



Key: Graph 1

1. Average Yearly Growth of the Gross National Income and Industrial Production During 1981-1986 (in percent)
2. H.S.--Main Directions According to Directives of the 16th Congress of the Czechoslovak Communist Party, 7.LP--Seventh 5-Year Plan; 1985 --expected).
3. Created Gross National Income
4. Gross Industrial Production
5. Gross industrial production as in 1977 wholesale prices.

The growth of the national income was achieved by a more favorable development of the share of production consumption in the net material product than was anticipated by the Seventh 5-Year Plan.

After considering all the facts and having as the main concern the needs of future development of society, as well as the potential of the economy, the 15th Congress of the Czechoslovak Communist Party assigned the task of reaching a minimum 3.5 percent average yearly growth of the national income in the Eighth 5-Year Plan.

In comparison with the Fifth in particular, but also with the Sixth, and finally also with the growth during the final 3 years of the Seventh 5-Year Plan, it may seem that this is not a particularly fast acceleration. However, it is not the level of dynamics that is new; what is entirely new is the quality of the economic growth, the method by which we wish to achieve

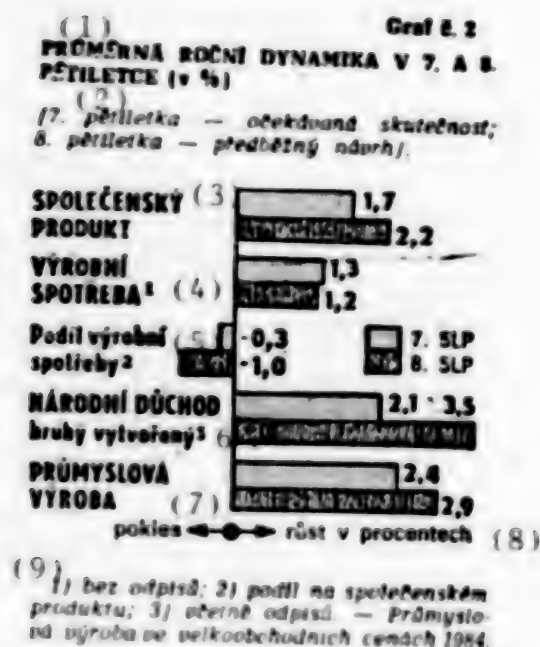
the required dynamics. We see as the basic prerequisite of this new quality --as was emphasized in the report of the Presidium of the Central Committee of the Czechoslovak Communist Party at the 16th Plenum of the Central Committee of the Czechoslovak Communist Party--an acceleration of the process of intensification of the national economy, particularly by broad application of the results of research and development, by innovativeness, great frugality, and a growth of the national labor productivity.

In comparison with the Seventh 5-Year Plan and its anticipated fulfillment, the blueprint for the Eighth 5-Year Plan aims for higher productivity, quality of production, and frugality. Qualitative parameters will be 1.5-2 times as demanding as they have been during the past several years. We are not talking, therefore, about some simple "prolongation" or "continuation" of the present trends of development.

Thus, in accordance with the concept of the Eighth 5-Year Plan, what is at stake is most of all a consistent enforcement of the orientation toward the intensification of the development of the economy and increasing its effectiveness. That is why even the assumed acceleration of the average yearly growth of the national income by 3.5 percent lies primarily in the improvement of all qualitative indicators of economic development and only secondarily on further quantitative growth. Accordingly, we are counting on a further reduction of the share of production consumption in the net material product (see Graph 2).

The exactingness of the proposed acceleration of the dynamics of the economic growth lies in the fact that it has to be implemented with limited energy and raw material inputs, and that will be possible only by substantially increasing the role of relative savings of production consumption (including effects stemming from a possible improvement of exchange rates in foreign trade and a higher valuation of production on the domestic market) in the growth of the gross national income. The proposal for the Eighth 5-Year Plan requires an increase of the rate of these relative savings from the expected approximately 22 percent in the Seventh 5-Year Plan to roughly 40 percent in the Eighth.

Graph 2



Key:

1. Average Yearly Dynamics in the Seventh and Eighth 5-Year Plan (in percent)
2. Seventh 5-Year Plan--expected; Eighth 5-Year Plan--preliminary Proposal
3. National Product
4. Production Consumption
5. Share of Production Consumption
6. Created Gross National Product
7. Industrial Production
8. Decline--Increase in Percent
9. 1. not including depreciation; 2. share in national product; 3. including depreciation.--Industrial production in 1984 wholesale prices.

The average yearly reduction of energy demands for creating the national income is to reach 2.8 percent as compared to 1.7 percent in the Seventh 5-Year Plan. The growth of labor productivity is to cover 90-95 percent of the increase in national income (as compared to 80 percent in the Seventh 5-Year Plan). The share of the cost of materials in production is to decline yearly by 1.5 percent on the average as compared to 1.1 percent in the Seventh 5-Year Plan, the share of total costs by 1.12 percent as compared to 0.59 percent in the Seventh 5-Year Plan. Capital investment must involve primarily a better utilization of production capacities and their renovation and modernization. High technological level, quality, improvement and

effectiveness of production has to ensure a higher valuation of products on domestic and foreign markets.

What is really at stake, then, is a fundamental change in the quality of economic development, which is based in realism but which also indisputably carries certain risks. We can find unused potential by looking at the high demands for energy and raw materials, the slow application of results of research and development, the utilization of production assets, and labor productivity. The question is how ready all of the production sphere is to make effective use of this hidden potential. The initial proposals for the Eighth 5-Year Plan by enterprises and economic production units indicate that such readiness is low.

According to a rough estimate, the proposals for the economic production units submitted on March 31 of last year provided for only a 2.4 percent yearly growth of the national income, and proposals submitted by departments on May 31 of last year for a 2.8 percent yearly growth.

The discussions by workers of the State Planning Commission and the departments showed that considerable differences of opinion persist concerning consumption of all types of energy and deliveries of raw and processed materials. In non-socialist countries, the departments assume lower exports and require higher imports. In capital investment they require primarily a high volume of construction start-ups.

Considerable differences were noted in the valuation of performance, decline of the cost of materials and in the attainable degree of adjusted value added.

The tasks of completing the Eighth 5-Year Plan are aimed therefore primarily at improving qualitative indicators, reducing the energy, raw materials, and investment intensiveness of development, at an overall improvement in frugality, effectiveness and quality.

Structural Changes in Production

A determining role ensuring the proposed growth of creating resources will be played by industrial production.

We are counting on a continual growth of the share of machine tool industry in the total production. The output of the electrical equipment industry will be accelerated very rapidly, with the aim of creating material resources for a deeper penetration of electronics into all areas of the national economy.

We are assuming a further reduction of the share of material and energy intensive production (mining, chemical industry and manufacture of building substances) in the total volume of industrial output. The determining structural changes will be implemented by means of the state goal-oriented plans (see Table 2).

Table 2.

Tabulka 2 (1) Struktura výroby (v procentech — zaokrouhleno)							
	(2) Dynamika 1990 1985	(3) Podíl na celkovém objemu výroby			(4) Struktura pří- růstu výroby		
		1980	1985 ¹	1990 ²	7. pětiletka	8. pětiletka	
(5) ● Průmysl celkem	115.2	100.0	100.0	100.0	100.0	100.0	
z toho:							
(6) ● paliva a energetika	103.5	8.7	7.9	7.1	1.3	1.8	
(7) ● hutnictví	101.7	14.4	13.4	11.9	5.9	1.5	
(8) těžká strojírenství	121.7	7.9	8.0	8.5	8.9	11.4	
(9) všeob. strojírenství	124.6	13.8	15.5	16.8	29.4	25.3	
(10) elektrotech. průmysl	162.5	4.2	5.6	7.9	16.8	23.0	
(11) ● strojírenství celkem	131.0	25.9	29.1	33.2	55.1	59.7	
(12) ● chemický průmysl	113.0	14.8	14.1	13.6	8.1	10.9	
(13) ● průmysl zprac. dřeva	112.8	4.9	5.1	5.0	6.4	4.3	
(14) ● lehký průmysl	112.5	10.2	10.0	9.8	8.9	8.3	
(15) ● potravinář. průmysl	109.5	16.4	15.7	15.0	10.5	9.9	
(16) ● výroba staveb. hmot	105.2	3.7	3.5	3.2	1.5	1.2	
(17) ● zdravotnická výroba	140.2	0.6	0.8	0.9	1.8	2.0	
(18) ¹ očekávané skutečnost; ² předběžný návrh							

Key:

1. Structure of Production (in percent--rounded off)
2. Dynamics
3. Share of total volume of production
4. Structure of the increment of production
Seventh 5-Year Plan Eighth 5-Year Plan
5. Total Industry
6. of that:
Fuels and Energy
7. Metallurgy
8. Heavy Machinery
9. General Machinery
10. Electrical Equipment Industry
11. Total Machinery
12. Chemical Industry
13. Wood Working Industry
14. Light Industry
15. Food Processing Industry
16. Manufacture of Building Substances
17. Health Care Industry
18. 1. Expected
2. Preliminary proposal

The indicators mentioned show that since 1980 long-range changes in the branch structure have been implemented systematically. There may be differences of opinion about whether these changes are fast enough. That of course depends on a number of factors. Among other things, on the necessity to provide for the needs of foreign relations--and they sometimes (independent of us) work against a fast implementation of certain changes. Of great importance in this respect is a rapid increase in the effectiveness of the export capability of the manufacturing industries, most of all the machine tool industry.

Great tasks remain before completing the state goal-oriented programs, where in most cases the necessary effectiveness has not yet been ensured. There are proposals for making them more "progressive." Unfortunately however, they are "progressive" mostly in the sense of making greater demands on investments, imports, etc. Greater effectiveness has not been proven. There are also those who think that there is no need to prove effectiveness when it comes to the most progressive trends. Such opinions are wrong. New technology and results of research and development, use of electronics, robots, and biotechnology should not be applied in practice merely because they are progressive trends, but primarily because they will bring demonstrable contributions: higher productivity, higher final effects (quality, higher effectiveness of production and usage), and a qualitatively new techno-economic level of production.

Basic Changes in Capital Construction

Capital investment is directed for the most part at renovating and modernizing of capacities, implementation of the results of research and development, and taking care of other priorities while utilizing all the potential for increasing production out of underutilized capacities, especially those which have been recently built. It was suggested that to increase the effectiveness of investments and to revitalize the whole investment process, the excessive volume of construction in progress be reduced.

To intensify the replacement process of fixed assets and to improve the effectiveness of economic development, we are counting on an accelerated renovation and scrapping of fixed assets (See Table 3).

Table 3.

(1) Vyřazování základních prostředků (v mil. Kčs)				Tabulka č. 3	
	1976-1980	1981-1985	1986-1990	1981-1985	1986-1990
				1976-1980	1981-1985
Vyřazování základních prostředků v národním hospodářství celkem (2)	73,0	87,2	151,1	132,0	155,5
Z toho: strojní základní prostředky (3)	51,3	71,8	110,1	139,5	162,2

Key:

1. Discarding of fixed assets (in billions of Kcs)
2. Discarding of fixed assets in the national economy as a whole
3. of that: machinery fixed assets

By making more effective use of investment capital, and discarding and liquidating obsolete and worn out fixed assets at a higher rate, we are endeavoring to reduce the decline of their effectiveness (See Table 4).

Table 4.

(1) Objem vytvořeného národního důchodu na 1 Kčs vřebních základních prostředků (v Kčs)					Tabulka č. 4	
1980	1985	1990	1985 1980	1990 1985		
0,413	0,341	0,323	82,6	94,7		

Key:

1. Volume of created national income per 1 Kcs of production fixed assets (in Kcs)

Even though we are counting on a certain improvement in the effectiveness of fixed assets, the submitted proposals would not promote a significant enough change in the present development. If current trends of exceeding the volume of investments and nonfulfillment of plans to liquidate fixed assets continue, even the proposed improvements could be jeopardized. It will therefore be necessary to work out measures to ensure a greater number

of liquidations, to scrap fixed assets which remain at a relatively low level in spite of the proposed growth, further preserving the considerably long service life of the fixed assets.

The proposed increase in the volume of investments represents a growth more than 10 percent higher than was the case in the Seventh 5-Year Plan.

The whole investment program has as its objective enhanced modernization, increased effectiveness and better returns on investments. Construction projects are therefore being reduced from the level of those of the Seventh 5-year Plan by more than 30 billion Kcs, and deliveries of machinery and equipment are being increased by 95-100 billion Kcs, that is roughly by a third. The basic requirement is that the new machinery be more efficient, of high technological level, and thus improve, together with substantial scrapping of old machinery, the technological production base of the manufacturing industry.

When finalizing the Eighth 5-Year Plan, it will be necessary to verify once again goal orientation, effectiveness, and how investments rank in the order of priorities.

So far everything attests to the fact that the need for the mentioned new approach to investments is not taken seriously enough. Even at this late date new, often substantial demands for new investments "over and above the limits of the Eighth 5-Year Plan" are being submitted. How unrealistic such plans are is proven also by the growing requests for import of capacities or at least the "know-how" from abroad. A change in the quality of the investment process cannot be accomplished on a day to day basis. It will be necessary to work out new plans, more effective projects. Too, it is not possible to resolve everything in just one 5-year plan.

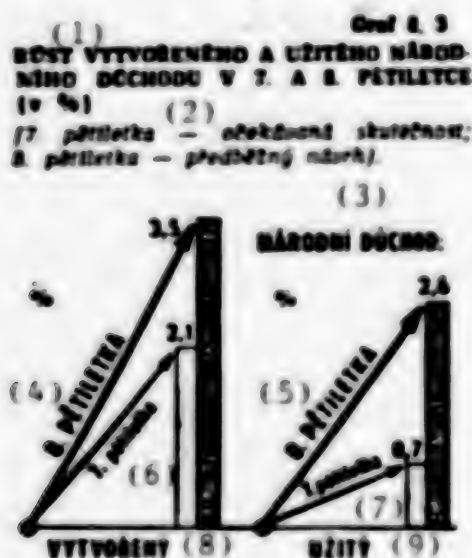
And that holds true not only for manufacturing, but also for the non-manufacturing sphere. It is necessary to consider very carefully what is to be given priority in the framework of the elective programs. To give priority to macroeconomic and ecological projects, modernization of housing stock, health care, etc. For instance, we have to make a comprehensive assessment of proposals for new investments from the point of view of energy intensiveness. As long as we cannot achieve significant savings of energy in production, we can hardly continue with any great volume of construction of energy intensive projects in the nonproducing sphere (winter arenas, heated covered swimming pools, etc.). All the more so because providing heat for new residential construction is very difficult.

How to Proceed

One could break down these and other problems according to branches and analyze the problem of foreign and domestic trade. It is not possible to do this in one article. And it is not even necessary; basically we are talking about the fact that the tasks of the Eighth 5-Year Plan indeed have a new quality and they cannot be planned and fulfilled with old approaches. Such formidable tasks can be realized only if basic changes in the approach to their implementation are taken. New quality of tasks requires a new quality of work.

The achievement of the required growth of the national income is the basic prerequisite for the implementation of an ambitious program of future development of society, resurgence of the dynamics of growth in the standard of living, and a further strengthening of the social securities of the population. The plans for increasing the domestic use of the national income are substantial (See Graph 3).

Graph 3.



Key:

1. Growth of created and used national income in the Seventh and Eighth 5-Year Plans (in percent)
2. Seventh 5-Year Plan--expected
Eighth 5-year Plan--preliminary proposal
3. National Income
4. Eighth 5-Year Plan
5. Eighth 5-Year Plan
6. Seventh 5-Year Plan
7. Seventh 5-Year Plan
8. Created
9. Used

Personal consumption has been rising by an average 1.1 percent a year, in the Eighth it will be rising by 2 percent. Public services consumption is to rise by 4 percent a year and in 1990 is to reach about 14,000 Kcs per capita, which is an increase of 2,000 Kcs in comparison with 1985. Expenditures for health care will rise dramatically--by more than 20 percent. Investments for solving ecological problems will more than double, etc.

In international comparison, this is not a small program of social development, growth of living standard and strengthened social securities. That is why it is necessary to start on a new road toward economic development.

Unquestionably, we are talking about some very demanding tasks. An extremely important one is to specify qualitatively, differentially, with knowledge of the conditions, tasks of the state plan for individual economic production units and enterprises. When plans for 1986 are being readied, it was said that they way tasks were assigned indicated a loss of the sense of quality, etc. It can happen that because of an incorrect detailed breakdown an enterprise or a plant may indeed be given unrealistically hard tasks and others comparatively soft ones. That situation has to be resolved. But if by "reality" we mean the present state of affairs, the current level of effectiveness, quality and technology--then the sense of such a "reality" needs to be lost. There is another "reality" which we have to respect. That is the rapid technological development in the world, behind which we must not lag, growing domestic demands, which we have to satisfy. We are not talking about miracles, just about honest work. Comrade Gustav Husak summed it up precisely in his New Year address: "To attain the goals of the Eighth 5-Year Plan it will be necessary--to put it briefly--to produce better quality work, better management, better economies in every respect. That depends in the first place on people, on their sense of responsibility and their actions, on their creative commitment to work. That is why it is so important to produce a creative atmosphere everywhere, support new approaches, overcome routine and inertia, see to it that work is well organized and equitably rewarded, and be mindful of maintaining socialist principles, discipline, and order."

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

PRESS REVIEWS CURRENT STATUS OF COST-EFFECTIVE ENERGY USE

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[A collaborative effort resulting in this issue by the Work Team for Rational Energy Use in the Council of Ministers and the Press Office with the Chairman of the Council of Ministers of the GDR]

[Text] Rational Energy Use, Nucleus of our Energy Politics

Without energy nothing moves. Energy is needed for each home, each sector of production, each product, each cultural and sports site, as well as accommodations whether for business, health services, or education, be it in the form of electrical energy, heat, fuel, gas, or coal. High capacity utilization of production lines, reinforced automation, and the introduction of modern processes in all sectors of the economy, more efficient transportation of freight and people, improving living conditions for citizens--all of this is unthinkable without energy.

Energy is thus a very important portion of the economy. For its production our workers and peasants state invested considerable funds since the founding of the republic. With this potential, created by the people, economic logic calls for thrifty and streamlined management and wasting nothing. This is a fundamental principle of socialist economy. Even if our resources were greater than they are, nothing would change this. This was confirmed at the 10th Congress of the Central Committee of the SED with the statement that in our strategic concept for the covering of the energy demand of the economy and the populace the rational application of energy comes first.

The following should also be considered in this case: Investments in the provision of energy and fuels have grown considerably and are still rising. Our republic must, for example, for each ton of crude lignite mined at present invest about twice as much as 10 years ago. About 90 percent of the materials and raw materials are dedicated to the production needs of the economy. Every reduction in the consumption of energy and raw materials accordingly is economically significant and returns more and more to the source of growth of the national gross product. Every percent of energy saved provides a gain in the national gross product. With this gain, new values can be created without additional energy.

In addition, calculations have shown that the investments for saving energy are significantly less than the investments for the generation of additional energy. The fact that a rational use of energy is a more effective contribution to environmental protection should also be taken into account. Not for the last time it commands attention in the performances of the coal and energy workers to waste nothing while handling the products of their labor with care.

All of these are important reasons for awarding a high position to the rational use of energy. Much was done in this connection. This is reflected in the fact that during the past five years our republic could achieve dynamic growth and its comprehensive social political program could achieve with annual reduction rates of the specific energy consumption of an average of four percent. It is important to continue along this path. "We are being led by it" explained Erich Honecker at the 10th Congress of the Central Committee of the SED "so that our economy remains growth oriented because only in this manner can the conditions be created to improve the material and cultural level of life of the people by steps, to strengthen socialism on all sides, and to ensure its defense capability. The salient point is the long-term guarantee of economic growth through comprehensive intensification."

Which Roads Lead to the Rational Use of Energy?

The possibilities for saving energy can take in as many forms as do applications of energy. First of all, it is essential to increase the efficiency of scientific-technical labor and to evaluate more quickly the results of science and technology. To this belongs the consequent application of key technologies. "The utilization of science is not just coincidentally at the peak of our economic strategy" Erich Honecker stressed during the 10th Congress of the Central Committee of the SED. "If we win in this case, at the same time, we win in the case of many other indices."

New technologies and new production and refining processes are of greatest importance for the rational use of energy. They offer unlimited possibilities to make power economy more effective. This underscores the great responsibility of the research and development personnel, construction engineers, and technologists because what is produced with which investments in energy and material depend on their efforts. It is more important that the managers of plants and combines set demanding goals to reduce energy consumption, which are competitive with world standards, for the research and development collectives. These managers should also convince themselves of the progress made.

This applies also to the development of new products, be they production equipment or consumer goods. How much energy is needed by a production machine or a vacuum cleaner is of importance to the energy consumption in our country as well as to exports. Products that are characterized by favorable energy economical parameters are demanded by the world markets and are, in turn, honored. More and more plant collectives have set their goals accordingly in anticipation of the 11th Party Congress of the SED for the development of products to find and to use new scientific-technical solutions, that drastically reduce the consumption of materials and energy. These

initiatives we put into effect by the characteristic incentive measures of the 11th Congress of the Central Committee of the SED. Afterwards, the production of new energy-efficient products was stimulated by price markups.

Important assignments are to be solved through simplification of energy generation and transformation. We are dealing here with the further reduction in the use of lignite for the generation of electrical energy by scientific-technical measures. For this reason the workers in the large power plants of the Cottbus district, for examples, have gone over to optimizing the combustion of the crude lignite in the large steam boilers through the use of modern sensors. Thereby, during production of electricity fuel economies of 3 to 5 percent are achieved.

A broad field for this simplification is offered now by the energy intensive technological processes in metallurgy, chemical industry, construction materials, glass, and ceramic industry. With these high temperature processes, even more considerable resources can be conserved particularly through the use of additional modern measuring, controlling, and regulating technology as well as micro-electronic control systems. As shown in practice, energy process analyses again and again provide new points of application for simplification and thereby for decrease in consumption.

Utilization of secondary energy has proven to be a very effective way to the rational use of energy. Around 88 percent of the economically useful potential in the GDR is already being utilized, be it during the formation process itself, in the plant, or also past plant boundaries for the heat and hot water supply of neighboring dwelling areas, plants, and installations. Here there are still many additional possibilities that it serves to open up through development and the introduction of new technologies. Not for the last time, this also applies to those technologies that completely exclude the result of secondary energy as the desired goal.

Manifold energy economical effects can be made available through the rational handling of energy in the broadest sense of the word. Energy economical construction belongs to this just as the maintenance of predetermined room air temperatures, the rational set up of transportation, or the reduction of the lighting costs in plants and installations through the use of efficient lamps and lights.

The consequent use of all of these pathways toward the rational use of energy has contributed to the fact that the specific energy consumption could recently be reduced significantly with growing production. Also in the future, in the interest of production growth and in the continuation of the main task in its union of economic and social politics, we shall leave no source of economizing unconsidered.

What Characterizes the Need and Opportunity for Being Thrifty With Electricity?

Production in the industrial sectors of construction and agriculture, and transportation of freight and people in local and long distance traffic today are unthinkable without electricity. Moreover, it is a prerequisite for

scientific-technical progress, for reinforced application of microelectronics and industrial robot techniques and for creation of automated production lines. In the households of the GDR alone, 15 percent of the generated electricity is consumed for light and for the total appetites of household gadgets. These few facts already clarify that the demand for electricity is very multifaceted and rising. With this alone, the necessity for rational energy utilization has already been characterized.

Added to this, indeed, is the fact that processing of crude lignite to electricity on the basis of multiple steps of transformation is wasteful in terms of cost, installation, and energy. Before one kilowatt hour can even be generated, comprehensive investments are required for open pit mines, for water drainage, the digging of the coal, and its transportation, as well as for the construction of power plants and distribution networks. All of this explains why it is so important to manage so rationally with the allocated energy funding, so that not only a maximum of results is achieved but, beyond this, reserves to the growing need can be made available.

If electrical energy, on the one hand, is an important requirement for assisting the scientific-technical progress to a great extent to a breakthrough, then scientific-technical progress, on the other hand, must be used even more effectively than before to reduce energy investment. In this connection, the 10th Congress of the Central Committee of the SED alluded emphatically and particularly to the improvement of the degree to which energy is converted and distributed efficiently to the reduction of the energy consumption in technological processes, as well as to the reduction of specific electricity consumption by production equipment as well as by industrial consumer goods.

Especially for the manufacture of production equipment and consumer goods which are more favorable in terms of the power-economy, the 11th Congress of the Central Committee of the SED has set new standards. Through improved development of industrial prices, the manufacturer as well as the user will obtain greater advantages from the introduction of such new products, characterized by high quality and low costs. In contrast, future price reductions are being proposed for the production of obsolescent products with material and energy demands which are too high.

Above all, through the use of modern electronic equipment, particularly electric motors for pumps, condensers, blowers, and others considerable energy reserves can be conserved. Electronic equipment control the performance of the apparatus and installations and, with this, also the consumption of electricity according to current needs of the technological process. Thereby energy savings up to 30 percent are in effect.

In addition, considerable energy reserves can be conserved through the increased application of microelectronics in various sectors of the economy. This contributes to the optimization of the production process, the operation of the installations, as well as the technological processes, and thus to the achievement of maximum production results with the least energy investment.

At present, every eighth kilowatt hour is needed for lighting; in peak hours as much as every fifth. Through modern switch installations, e.g., twilight switches, increased use of fluorescent lights instead of incandescent lights, as well as sodium high pressure lights for street lighting even more considerable reserves can be conserved. At the same time, the light yield of the incandescent lights is fivefold and the service life is even tenfold higher than those of the incandescent bulbs. Sodium high pressure bulbs provide an almost double as much light yield in comparison with the mercury high pressure bulbs.

What Effects do Technologies Have on the Energy Economy?

Technology, i.e., every possible way man handles the objects of labor, and how much time, material, and energy he needs for this, is of the greatest importance for productivity and efficiency. For this reason the decisions of Party and Government direct the plant collectives, the inventors, innovators, and simplifiers again and again directly to this area to push scientific-technical advances through expeditiously. In this regard, above all, key technologies, such as microelectronics and the related microcomputer-assisted production line and processing, robot technology such as modern production processes.

In particular microelectronics opened up numerous new possibilities for the automation of process completions and their optimization. In this manner, energy demand can be reduced, according to the type of use, from 5 to 30 percent. This is also shown in power plants. With 500 megawatt blocks in the VEB Combine Lignite Power Plants, the collectives can save up to 100,000 tons of crude lignite per block annually, through optimization of intake and output processes, with the aid of microelectronics. Several hundred manipulated variables are being pursued in this case. Based on this, intake processes can be shortened by around 25 percent.

Research collectives of the VEB Metallurgy Electronics Leipzig developed the SPIOS 340, an industrial furnace control, which can be integrated with storage. It consists of a digital programmer and several programmable temperature regulators. With a storage capacity of up to 128 programs and a small investment in operators an optimized furnace process is achieved that increases production and saves up to 30 percent of the energy.

Energy economies in the equivalent of about 27,400 tons of crude lignite annually is achieved by a process that was developed by collectives of the ethylene installations in the VEB "Otto Grotewohl" Bochlen for the utilization of energy rich waste gases which result, e.g., during the processing of hydrocarbon, containing raw materials.

A technology with meaning for the future is powder metallurgy. Compared to present day manufacturing of construction parts with forming by shaving, parts manufactured by powder metallurgy make possible materials savings of 60 percent and energy savings of 40 percent, and this with the highest precision and quality. The parts possess their final form to a great extent.

These few examples already illustrate what great importance is due new technologies and processes when it is important to guarantee production growth also into the future with the same or sinking energy, raw materials, and materials consumption, respectively. This presumes to examine all running processes scientifically in order to search out possibilities for the effective application of energy efficient technologies and processes. The better the success in reducing the energy demand as one of the important items of production consumption in all sectors of the economy, the faster the growth of the gross national product.

Microelectronics Contributes to the Drop in Energy Investment

Microelectronics is not exactly characterized as a key technology. Its use today already contributes in all sectors of the economy to the more rational application of energy. Even more, it influences ever more the whole economy, leads to savings in labor, costs, and materials with a simultaneous increase in the intrinsic value of products. Each saving in material means at the same time, however, also a saving of that energy that had to be used originally for the production of the material.

The use of microelectronics particularly effective is where energy intensive production processes are carried out, such as in metallurgy or the glass industry, but also in electrochemical production processes or in the production of steam and hot water. In the Brandenburg Steel and Rolling Mill, for example, heat introduction into a Siemens-Martin furnace is controlled by a microprocessor. In this manner, the introduction of energy and combustion air as well as the internal furnace chamber pressure is optimized. Thereby about 20 terajoules of energy can be saved in the furnace annually. This corresponds to a quantity of energy that is sufficient for more than six days' production or for the melting of over 3,800 tons of steel, respectively.

Experience with the economy proves that independently of the concrete conditions the energy consumption can be dropped between 5 and 30 percent by microelectronic controls according to the type of application. For this reason in our country it was bindingly decided that electrically operated furnaces, for example, carbide fusion furnaces or electric furnaces for metallurgy, with a junction capacity from 5 megawatts on and fuel-fired industrial furnaces with a junction capacity from 10 megawatts on must be equipped with a microelectronic process control.

A great advantage of microelectronics consists in the fact that it can be installed in already available machines, instruments, and equipment during modernization and reconstruction. This has proven itself many times in the meantime, for this equipment thereby achieves the performance level of new products. The application of microelectronics is precisely so effective in traffic as in textile cleaning operations, bakeries, breweries, or greenhouses. In any case, energy process analyses must indeed go first, because only then do they make those points of application transparent that guarantee a high efficiency of the charge.

In greenhouses, microprocessors take over the surveillance of necessary internal and external temperatures, the admitted light, and air humidity in

order to regulate naturally in a matter of seconds heating, ventilation, spray cooling, and shading so that the predetermined optimum values for plant growth at that time are constantly maintained. Thus the yields rise up to 30 percent. The consumption of heat energy drops at the same time by 20 percent and that of electricity by 10 percent.

Even for the production of consumer goods, microelectronics offers a number of advantages: on the one hand, with microprocessor-controlled machines and installations, productivity and energy reserves can be created for greater consumer goods production; on the other hand, microelectronics permits the increase of the intrinsic value of the manufactured products themselves and, at the same time, reduces energy consumption. The first color television sets, for example, still equipped with tubes, had a capacity requirement of 300 watts. The newest sets with integrated printed circuits require only about 20 percent as much.

The possibilities to gain energy reserves through the use of microelectronics for the further growth of production are far from exhausted and constantly open new roads for inventiveness and creativity among the workers. Using these possibilities also places a greater demand on the knowledge and ability of humans. "In the last analysis, the education of the people and the level of management decides how successful it is to transform the most modern technology into high economy," stated Erich Honecker at the 10th Congress of the Central Committee of the SED.

What do Energy Process Analyses Provide?

When over 200 years ago, James Watt received the request to repair a steam engine, he analyzed the causes of the resulting defects for the first time in history. After he had found the weak points, he succeeded in carrying out a series of improvements, which in the last analysis led to a fully new, significantly more economical, and more efficient installation. With this he laid the cornerstone for a scientific method of working, which in the meantime has proven itself in practice. Naturally, energy process analyses now no longer are restricted to individual machines and aggregates but include the whole production process and the course of the process, as well as the auxiliary and side processes in production. To this belong comprehensive and exact measurements just as examinations of the course of streams of materials and energy.

Such scientific investigations make it possible for the plants to uncover and to eliminate sources of losses, to derive measures for the technical improvement and the technological/energy optimization, to find new points of application for energy rationalization, for example, for the increased utilization of secondary energy or better insulation. Beyond this they proved to be important prerequisites in cases involving the introduction of new technologies and particularly with the preparation of microelectronically controlled processes, i.e., when CAM solutions are involved.

Energy process analyses naturally cannot be carried out in a short time. They are connected with an investment and require all-round expertise. Many times it was proven correct to form operational or interplant complexes of work

teams to which belong the best workers and engineers of the plant or branch. Which important reserves can be conserved by such socialist team work is shown, for example, in the VEB Steel and Rolling Mill "Wilhelm Florin" Hennigsdorf. Here technologists, energy workers, rationalizers, and renovators of the plant together with coworkers of the rationalization service of the VEB Energy Combine Potsdam carried out energy process analyses on the block push heating furnaces and conserved resources, which led to a reduction of the specific energy consumption of 15 percent. At the same time the scientific-technical measures brought about a greater labor productivity. The performance of the furnaces could be increased by 25 percent.

Similar results were achieved to a great extent with their own forces by the collectives in the VEB Refined Steel Mill "8th May" in Freital with process analyses on the furnace installations of the block line to which belong the block push heating furnaces and blast furnaces. In this mill it was shown in addition how important it is to repeat energy process analyses or to continue them, respectively, as soon as the production conditions change. With the evaluation of the analyses technically organizational as well as scientific-technical measures were put into effect which brought about an energy savings of about 4 million marks and contributed to the gaining of five workers for other tasks. On the whole, the energy demand for the furnace installation of the block line up could be reduced by 30 percent within four years.

How Useful is the Utilization of Secondary Energy?

Using fuels once for the reproduction process and then anew is the shortest, safest, and at the same time the most economical route to saving primary energy. Secondary energy, particularly in the form of waste heat but also incidental fuel such as coal dust, to which all plants and combines have actual access, means rational utilization so that additional fuels such as gas, electricity, crude lignite must first not be made available at all.

Thus viewed, secondary energy is then available to us really without cost. For this utilization, however, certain applications are required such as for the creation of corresponding installation. For this, however, significantly fewer funds are needed than would be required for the additional generation of primary energy. In addition, the investment makes itself felt within the shortest time. For this, it follows that the utilization of secondary energy for the solution to the assignment, made by the economic strategy of the Party of the Working Classes to ensure the further growth in production with dropping energy demand, is of great importance, an inseparable component of the rational use of energy.

Much is already being done. During the five-year plan period which is ending, great efforts were made to gain energy reserves through the use of waste heat in the high temperature range of over 1,000 degrees Celsius. In the VEB Glass Fiber Factory Oschatz, for example, the workers succeeded with the aid of a recuperator for the preliminary warming of combustion air to over 700 degrees Celsius in using the waste heat from the glass furnaces and in saving almost 50 percent of the natural gas used previously. The recuperator is amortized within three months. The waste heat is utilized moreover for the

drying of grain in a neighboring agricultural operation and for the heating of nearby dwellings.

Significant quantities of energy can also be saved, as shown in practice, through the utilization of waste heat and exhaust air in the temperature range up to 400 degrees Celsius. With the use of regenerators in heating, cooling, and ventilation processes, for example, up to 80 percent of the exhaust air heat can be recovered.

With increasing measure beyond that the resulting quantities of broken lignite briquettes and dust on the coal storage sites of industry and commerce are being utilized in specially designed furnaces with a great degree of efficiency.

As the result of intensive scientific-technical work as well as the development and preparation of specific equipment for the use of secondary energy in plants and combines, the degree of utilization rose in the economy from 63 percent in 1981 to about 88 percent in 1985.

Energy Efficient Construction?

About 36 percent of total energy consumption is needed for space heating. This is more than 100 million tons of lignite annually, a quantity that must be intelligently managed. The foundation stone is laid with the planning of new cities, city districts, and buildings. In this manner, for example, the arrangement of the dwellings being erected influence whether and with which effect the waste heat from neighboring industrial operations or service installations can be used for heating dwellings or if the building complexes can be attached to available heating networks with little investment. Also the type of construction is of importance for the energy economy. Row houses, for example, are more favorable for energy economy than single homes because they reduce the outer surface which loses the heat. In the case of individual homes, energy consumption thus drops down to 30 percent.

An important role is played here by the heat conservation of the building from basement to roof. For this reason the workers of the construction materials industry are taking great pains to expand insulation production on the basis of domestic raw materials, to better refine insulation, and to develop new insulation. Through quality work during the production of the outer wall slabs as well as during their assembly, 15 to 20 percent of the quantity of energy needed for building heating can be saved.

Indeed with this, the possibilities for energy economic construction are in no way exhausted. the new microelectronically-controlled house junctions for apartment buildings from the VEB Combine for Technical Building Equipment Leipzig guarantees, for example, an optimum heat supply and contributes thereby to the reduction in the energy consumption by an average of 8 percent. This is possible because heat circulation is controlled by a computer, taking into consideration the internal and external temperatures. During the night hours the supply of heat is automatically cut back, which contributes to the welfare of the citizens. Even greater energy effects develop when the computer supported junctions are connected to a central control terminal.

Of higher energy efficiency is a solution which was developed by collectives in the VEB Housing Construction Combine and tried out in the new apartments that were erected in the Ernst Thaelmann Park of Berlin. According to this, up to 70 percent of the exhaust air heat from kitchens and bathrooms can be used to warm incoming fresh air. For this reason, in 1986, an additional seven high-rise apartment buildings should be equipped with regenerative heat circulators.

All of these solutions contribute to the expansion of the energy basis for the further realization of the home construction program of the GDR, the nucleus of our social politics. Accordingly, during the 8th Construction Conference of the Central Committee of the SED and the Council of Ministers of the GDR in June 1985 it was decided to continue consequently the energy economically advantageous construction. The orientation worked out here for the period from 1986 to 1990 toward the achievement of energy economies that correspond to an equivalent of 4 million tons of crude lignite through better insulation in all new buildings and modernized designs as well as in existing buildings, the development of the production of insulating materials, is accordingly of great economic importance.

How Effective is Insulation?

With the use and with the movement of heat in fact losses cannot be completely avoided but limited to acceptable investment; thus, for example, when heat-carrying pipelines, mountings, and assemblies are properly insulated. Even in the case of one meter of uninsulated conduit, there are considerable losses during the circulation of heat. Accordingly, it is profitable for the economy as well as operation that sufficient insulation meet specifications. This applies even more when the application of the insulation is amortized within one year, frequently even sooner.

The situation is similar in the case of buildings. Every rebuilt room stores heat; however it also loses heat to the outside. It escapes, for example, through ceilings and walls. Good insulation with insulating materials having good properties can be of assistance here. Intensive efforts are underway in the construction materials industry for their development and increased production.

Doors and windows take up an average of 14 percent of the wall and ceiling surface of a building. Nevertheless, they are responsible for about 80 percent of the heat loss. Thus the decision to abandon overly large window surfaces. Great importance is attributed to the careful insulation of windows, including, e.g., sealed joints. For windows, thermopanes are being increasingly set in which allow the escape of less heat.

More and more operations and combines in construction are going over to the consideration of the energy value of building in the quality assurance system. In this case a role is played by such questions as the use of energy economical building construction and heating, determining measurements on heat consumption in buildings, infrared thermographs, and the consequent involvement of the energy combines with the decline in homes. Through the use of an infrared camera for finding weak points in the insulation and work

according to quality guides, for example, the collectives of the VEB Housing Construction Combine Leipzig achieved in 1984 energy economies in the homes erected by them equivalent to about 2,500 tons of crude lignite.

All of these experiences were reasons for the orientation set by the 8th Construction Conference of the Central Committee of the SED and the Council of Ministers of the GDR in June 1985 toward the further completion of the road taken to the improvement of insulation.

What is the Effect of Energy Economy on Transportation?

The train service including industrial traffic takes a 4 to 5 percent portion of production demand on the economy. This also represents a considerable consumption of energy.

In contrast to rising production capacities in industry, construction, and agriculture, rising transportation capacities in no way multiply our social wealth. Accordingly, it is in the interest of us all to minimize transportation and to carry out that which is absolutely necessary with the least expenditure. The endeavors connected with it were characterized at the 10th Party Congress of the SED with the words: "The whole movement of freight must be carried out more efficiently, with the shortest roads, with less fuel and energy."

Along with the more intensive utilization of the available means of transportation an important additional step is the optimization of transportation within as well as between the plants and combines. As shown by practice, on the average 55 to 60 percent of the production of goods by the combines is determined by interplant cooperation. Here the problem is the setting up of efficient delivery and transportation situations by which unnecessary transporting is avoided.

For example, until a year ago, axle heads and diverse welding parts were manufactured in Freital and Pirna for the main plant of the VEB Machine Tool Combine "Pritz Heckert"; thus transported over a distance of 70 or 97 kilometers, respectively, to Karl Marx City. The plant found a way to manufacture these parts now itself at the site of final production. Analyses at the VEB Machine Tool Combine "7th October" in Berlin and in other combines have shown that in this manner transportation can be reduced by about 10 to 20 percent. The consumption of liquid fuels sinks by 5 percent.

Also coordinated freight transportation and storage between the plants territorial transportation simplification, e.g., the training of driving teams as well as loading and unloading teams, has proved to be an important way to reduce the transportation expenditure and to save fuel in many districts and areas.

Only through the rational formation of cooperation relationships in the economy and the exclusion of unnecessary transportation the total amount of freight to be moved in 1984 in contrast to 1980 could be dropped by 13.2 percent.

For energy economy in transportation it is also decisive whether goods are shipped by truck, railroad, or ship. Experience has shown that the inland waterways boat placed the lowest energy demand per unit moved. It uses 20 percent less energy than the railroad and 75 percent less than the truck. The operation of electric locomotives on the railroad uses 30 to 40 percent of the energy of the truck on a comparative basis. Accordingly, for the economy it is most favorable to deliver the goods less by the streets but more on rails or by waterways. The fact that since 1981 almost 39 million tons of freight have been moved and at this time are being moved by railroad or boat, contributed decisively to the fact that the annual production volume growing by 4 to 5 percent in the economy during the period of 1981 to 1984 is to be managed with a total of 22 percent lower specific transportation expenditure.

So that even larger quantities of goods can be shipped on railroads, the electrification of the main stretches is being accelerated. In comparison with diesel locomotives, electric locomotives are faster, have greater performance. At the same time, the advantage falls into the balance whereby we can generate electricity from our domestic crude lignite and petroleum, as the starting raw material for diesel oil, is reserved accordingly for other useful applications, particularly the processing of the materials economy.

Object-Related Energy - What do we Understand by This?

Above all, we consciously observe the energy consumption that results from, for example, heating, cooking, baking, hair drying, showering. The energy investment in the manufacture of a product is usually hidden from us. The fact is, however, that with each step of the production--regardless whether production equipment, food, clothing are manufactured or buildings are erected--energy is being used that boils down to consumption in the plant or combine.

What enters the product in the way of energy on the whole is classified as object related energy. To this belongs for the production of materials and intermediates for substance production, the processing of the end product, as well as for the manufacture of installations, production buildings, transportation, etc. accordingly the necessary energy. Thus, for example, for the preparation of one kilogram of yoghurt about as much energy is needed as produced by one kilogram of briquette. By comparison, in one kilogram of rolled steel, the energy of 9 kilograms of lignite, in one kilogram of copper even 23 kilograms, and in one kilogram of aluminum as much as 60 kilograms.

Here a close intertwining of the energy and material savings has been illustrated. Expressed with other words: since each material is produced from raw materials with the aid of energy, it is the carrier of object-related energy. Accordingly, the energy economy is equal to the materials economy and vice versa.

If thus the five year plan for 1981 to 1985 presented industry with the task among others of saving around 2 million tons of rolled steel, more than 456,000 tons of aluminum, around 15,000 tons of copper, and one million tons of cement through the reduction of the specific materials consumption, then the object-related energy of these materials corresponds to an equivalent of

about 26 million tons of crude lignite. This order of magnitude clarifies the effects of materials economical measures on the energy balance of the economy.

Even the utilization of secondary raw materials is often at the same time connected with positive effects on the economical energy demand. Accordingly, the use of scrap for steel production means at least a 50 percent energy savings, for the energy intensive process of pig iron production is missing. In the case of aluminum scrap, the energy savings comes to 90 percent because the otherwise energy intensive electrolysis used for the smelting process is not necessary.

Likewise the multiple use of packaging materials is proving to be very effective in saving energy. The beverage-bottling as well as the vegetable- and fruit-processing industries in the GDR cover their needs up to 70 percent with returnable bottles and jars. This means that 1.1 billion bottles and jars are involved in the cycle of reuse. In 1975 there were only 700 million. The increase by about 400 million pieces eases the energy balance of the economy by an energy equivalent of over 60,000 tons of crude lignite.

What Opportunities do Regenerative Energy Sources Offer?

General characterization of such natural potentials for energy like sunshine, bioenergy, and geothermal heat, accordingly, the regenerative energy sources, is that they are inexhaustable; they renew themselves constantly. Indeed, even with optimistic estimations as well as with the development of new technology for their utilization these energy sources will be no replacement for our lignite. Reasons for this are above all the geographic position of the GDR, its climatic conditions, and geological make up. The final criterion is the economy. In this case the long-range view shows that only a small portion of our primary energy needs can be covered by regenerative energy sources.

What is possible, however, will be done. The utilization above all has priority where an application possibility is provided "at the head." Thus, for example, in Waren-Papenberg the heat and warm water needs of a newly constructed area is covered by geothermal heat because the geological formation makes it possible. Even for the supply to other neighborhoods in the north of our Republic geothermal energy should be used.

Biogas from animal and vegetable biomasses, which are produced by the union of installations of agriculture and water management, is used mainly for heating and the provision of hot water.

Agriculture also uses the wind as an energy source, for example, for the powering of irrigation installations. A wind operated power plant with a capacity of 20 kilowatts, which serves primarily research and test purposes is functioning on Hiddensee. Apart from that, for the constant operation of such an installation wind velocities of above 25 km/hr are necessary, the demand on technology is very high. An economical windmill power generator must operate about 7,500 hours annually. That corresponds to an average running time for a truck going about 380,000 kilometers.

In the area of Karl Marx City numerous small water-powered installations for the generation of electricity are again in use. The utilization of solar energy, above all, using flat collectors, has an experimental nature in the GDR. Investigations, that were carried out over seven years with two prototype installations for the thermal utilization of solar energy in the swimming pools of Freyburg/Unstrut and Taubenheim, showed that the use of solar energy for the provision of low temperature heat is effective only in selected cases of application.

What Demands are Placed on Energy Consumption Norms?

The vision to reduce energy consumption, must first then know its full extent. This requires it to be derived through careful analyses together with the production collectives and to be set in norms. With the norms, important fundamentals for planning, control, and settlements arise at the same time, but also for the dedicated management and competitiveness as well as for the mobilization and stimulation of the workers toward an effective reduction in the energy consumption.

Practice has proven that clear, commanding, and calculable positions encourage the cooperation of the workers, innovators, and rationalizers which is rich in initiative, in the conservation of resources. It is also necessary to create proper conditions for the direct input of the workers on the consumption. This requires, e.g., the outfitting of equipment and installations with modern measuring, controlling, and regulating technologies.

Energy consumption norms do not apply all the time. Rapid scientific-technical progress changes production conditions. For this reason, the energy consumption norms must be adapted to this development if they are to be based ever better on technology and economy. Only norms of this quality reflect reality, limit the energy consumption to the socially-necessary degree, give the workers a clear orientation, are a true basis to stimulate the limitation and lowering of the deficits. Only process analyses lead to technically and economically based norms.

In many plants and combines it is already natural to work out in timely unison with the introduction of new products, installations, and technologies, or in the case of the modernization of existing equipment and installations also new norms for energy consumption. Practice indeed shows that in this respect there are considerable reserves. In energy conversion installations as well as in the case of energy utilization installations, energy consumption must be better based, technically and economically. To conserve reserves beyond this requires the experience of the advanced collectives to be generalized more quickly and more effectively.

Among the combines, that for years typically work with energy consumption norms, are, for example, the VEB Quality and Refined Steel Combine Brandenburg, Pipe Combine Kriesa, Plate Glass Combine Torgau, Chemical Fiber Combine Schwarzsa "Wilhelm Pieck," and Combine Leuna-Merke "Walter Ulbricht." Here the collectives, through intensive scientific-technical work, achieved consequent energy rationalization and regular actualization of the norms so that energy consumption in energy conversion and energy utilization

installations are indicated up to 80 to 95 percent with technically and economically based norms.

What Responsibility do Local State Organs Bear for Rational Energy Use?

At present 46 percent of our useful energy is needed for the supply to the populace as well as the locally managed plants and establishments. It is so much more important for the further growth in production and energy supply for new residential areas in the territories as well as the related comprehensive social establishments to conserve reserves through rational energy use.

The Law on the Local People's Representation in the GDR of July 4, 1985, has established, constructed on good results and experience with the territorial energy management, the tasks for the local state organs. It obliges, for example, district councils and district assemblies in collaboration with the energy combines, the social organizations, as well as all plants, establishments, and companies to manage the carrying out of an ideal energy efficient work method in the territory. In this case the territorial rationalization has proved itself to be a tried and true path.

For example, in Karl Marx City it contributed to the fact that the energy consumption of this city could be reduced by 11.6 percent during the years 1982 to 1984 while the industrial production of goods during the same period rose by 13.9 percent. One hundred thirty plants and establishments of the city district cooperate actively in 10 communities of interest that are managed by experienced energy workers from large plants. It deals with the collaborators in the communities of interest developing general solutions for the rational energy use that can also be used in general. Thus, in the meantime, 18 branch-oriented moving companies as well as 7 loading and unloading companies have been formed.

An important concern of the communities of interest consists of giving particularly to the small and medium plants and establishments, that do not have any specialists available, effective materials and personal help by practicing rational energy use. The socialist community work on the improvement of the energy economy in the territory participates significantly in it so that in Karl Marx City in the years 1982 to 1984 energy economies to the equivalent of over 143,600 tons of lignite briquettes could be achieved.

Large reserves can be conserved in the regions through intensified use of secondary energy. In this case, the use of waste heat resulting in many plants for the production of hot water and the heating of neighboring plants, establishments, and apartment houses. Accordingly, for example, in Brandenburg the waste heat resulting from the metallurgical processes in the VEB Stiel and Rolling Mill Brandenburg is used to heat surrounding dwellings. In other regions, the waste heat resulting from drying and processing crude lignite is utilized for these purposes, but also for heating nearby establishments.

Today there is already a whole series of cities that could be cited for their excellent results in organizing exemplary work in energy economy in the region, with the certificate of the Head of the Central Energy Commission in

the Council of Ministers. These are the cities of Rostock, Cottbus, Schwerin, Altenburg, as well as the City District of Berlin-Loepenick. With the power from the plants and combines and the active support of the citizens they succeeded in continuously lowering over several years the energy demand during growing production capacities because the route to a rational energy use was consequently taken.

The councils of the cities and communities, in particular, were given important tasks to push through the economical and rational use of energy in the directly subordinate as well as those plants, establishments, and companies which are not subordinate. Thus, for example, many plants under local management are trying to expand the use of crude lignite for the production of heat and at the same time reduce specific fuel consumption. This requires fitting the great numbers of articulated boilers in the regions, as they are installed in the smaller heat generating installations of the local economy, with the aid of their own means of rationalization.

Practice has, however, also proven this: only through orderly operating management, maintenance, and care of the installations as well as exact measurements of the energy consumption 10 percent of the fuel can be saved. In order to bring these reserves into full efficiency, it is necessary to activate overall the competition between the furnacemen.

What Characterizes Ideal Energy-Efficient Work?

Ideal energy-efficient work in plants, combines, companies, and regions is characterized in that the collectives at that time succeed over the years in assuring a high production growth rate with dropping energy consumption. An example of this can be seen in the results obtained by the workers of the combine VEB Leuna-Werke "Walter Ulbricht." Since 1961 reduction rates in the specific energy demand of 6 percent are in the book. This was above all possible through dedicated management of the power, economy. Accordingly, for example, there is a program for power economy that is settled annually, constantly refined, and extrapolated. In addition, idea contests are held. They incite the workers to collaborate creatively, using their experience and initiative to solve energy-efficiency problems.

It was also proven advantageous to provide the research and development collectives with tasking manuals for the modernization of the technological processes, with demanding goals that stimulate creative efforts toward the reduction of energy investment with concrete deadlines and for control of the progress of the efforts through the development phases. On this basis the collectives are engaged in the introduction of energy economic technologies and processes. Energy process analyses help them always to find new points of application for the rationalization, to conserve secondary energy reserves, to uncover sources of losses and to eliminate them, to qualify the work with energy consumption norms.

Performance comparisons and exchanges of experience contribute to the spread of advanced working methods. As the results of this resolute energy-efficiency work in Leuna, today 90 percent of the resulting secondary energy is utilized, and over 90 percent of the consumption can be determined in

energy transformation and utilization installations with scientific-technically based norms.

In recognition of, and to excellent performance in the area of the rational use of energy the Head of the Central Energy Commission with the Council of Ministers on Combines, plants, and companies and regions awards the certificate for ideal energy economical work. This applies, above all, to plants that have an energy consumption of more than 30 terajoules annually--this corresponds to about 3,500 tons of lignite--and regions with more than 10,000 inhabitants. Connected with the distinction is a material reward up to 10,000 marks.

Other plants, smaller cities and communities are distinguished by the authorized central or regional state organs, respectively. The recognition of a territory requires that at least two thirds of the resident plants with an energy consumption of more than 30 terajoules annually have already received the certificate. This means that 75 percent of the total energy consumption by energy economically ideally operating plants must be represented.

All plants, establishments, as well as regions, that are in possession of the certificate, are registered in an honors book of the ministerial council. After five years have passed, the distinction must be defended.

So far over 1,200 plants, of which about 500 for a second time or more, seven combines, the cities of Rostock, Cottbus, Schwedt, Altenburg, as well as the City District of Berlin-Koepenick could be recognized for ideal energy economical work. At present about 150 cities, regions, and city districts are competing for the distinction, and it can be rightfully said that the initiatives stretch over the whole republic. This is of great importance, for each percentage point of savings bears great weight in the economy.

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

STATISTICS PROVIDED ON EXTENT, USE OF NARROW GAUGE RAILWAYS

East Berlin PRESSE-INFORMATIONEN in German No 5, 14 Jan 86 p 6

[Text] In the GDR, thirteen narrow gauge railways operate on a total of approximately 280 km of track. Their track gauge is between 750 and 1,000 mm; in the case of the railway from Bad Doberan to the Baltic spa of Kuehlingsborn West, the gauge is 900 mm. In comparison, the normal gauge of the Deutsche Reichsbahn comprises 1,435 mm. While passengers and freight are transported on seven of these lines, two carry only passengers and four only freight.

The length of the railway lines varies from 800 meters for the Halle (Salle) industrial railway to 132 km for the United Harz Narrow Gauge Railways. Compared with their larger brothers, the narrow gauge railways, with a maximum speed of 40 km/hour cannot compete with their speed and carrying capacity, and therefore they are usually only of local importance. However, they play an indispensable role as technical milestones, for the transportation of freight in the hinterland and for the travel needs of vacationers, workers and school children.

Within the framework of its possibilities, the Deutsche Reichsbahn is making great efforts to maintain the operations of the narrow gauge railways and to organize them in a more effective way. In the case of the Selketal railway, the connecting line between Strassberg and Stiege was reconstructed and made operational in 1983-1984. Because of the connection with the Harz transverse railway, trains can now travel directly to Wernigerode and Nordhausen.

The requirements and the performance levels of the narrow gauge railways in freight and passenger service will also rise over the coming years. The Harz transverse railway, for example, moved approximately 20 percent more freight in 1985 than in 1984. New technologies are helping to lay the groundwork for such developments. For example, standard-track freight cars are loaded onto narrow gauge railways and sent down the line in so-called wagon-carrier traffic. This entails many advantages: for example, it is not necessary to unload and reload freight, although the size of the loads must be reduced, since the freight cars together with their loads are to be transported on the "rolling trucks." One objective is to use this technology in the future also for those train stations which are currently served via Gernrode.

In order to improve the management of operations, radio communication was introduced on trains of the Harz transverse line. Within the existing radio networks, a dispatcher can communicate directly with an engineer and exchange important information and reports, thereby saving time.

Numerous narrow gauge railways have been given affectionate nicknames by the people. The "Molli," which operates on a stretch of track 15.4 km in length between Bad Doberan and the Baltic spa of Kuehlingsborn West, chugs for barely one kilometer through the streets of Bad Doberan. Many vacationers travelling to the Baltic use the "Rasender Roland" on the 24.1 km stretch between Putbus and Goehren. The narrow gauge train between East Radebeul and Radeburg is nicknamed "Loessnitzdackel" [Loessnitz Dachhund] and "Grundwurm" [ground worm].

The locomotives on the narrow gauge lines turn out very respectable performances. For example, on the Harz transverse railway a Mallet locomotive built in 1898, the oldest locomotive in service on this line, must overcome an altitude difference of 306 meters during high season on the 30.7 km line between Wernigerode and Beneckenstein. The popular old-timer still uses renovated historical passenger cars built between 1897 and 1900. FDGB [Free German Trade Union] vacationers are fond of using this opportunity to acquaint themselves with the beautiful sights of the Harz Mountains on a trip with the "Bimmelbahn."

The narrow gauge railways originated towards the end of the nineteenth century. The still-operational lines Freital-Hainsberg-Spa Kipsdorf became operational in 1883, in 1884 the first trains traveled between East Radebeul and Radeburg, and travel began in 1887 on the Selketal line from Gernerode to Harzgerode. These lines linked industrial and agricultural operations located at a distance from major lines with the network of standard gauge railways. These lines were built primarily by private companies and were designed as narrow gauge lines in order to save construction and operating costs.

Their venerable age and the related technical condition of these railways caused the rail network to shrink from 1,388 km in 1960 to about 280 km at the present time.

Since 1973, the need has been recognized to preserve several selected narrow gauge railways in the secondary rail network of the Deutsche Reichsbahn. Reasons for this include the fact that several lines are located primarily in vacation and excursion areas, and the fact that with the progress of traction changes--from steam to diesel and electric locomotives--for the railway, technical milestones are preserved for posterity with the narrow gauge steam locomotives. The Deutsche Reichsbahn is the only railway administration in Europe which plans to operate narrow gauge railways after the 1980's, with a considerable commitment of financial and material resources.

The preservation of traditional steam locomotives and passenger and freight cars, is being carried out as a targeted concern for technical milestones on the part of the Deutsche Reichsbahn. Thus historical steam locomotives and train cars will remain available for the operation of traditional trains. On the stretch East Radebeul-Radeburg, in addition to regularly scheduled narrow

gauge trains, vehicles constructed between 1899 and 1930 are used for "trips down memory lane." For these trips, which were begun in 1974, members of the work group 3/58 of the German Model Train Association of the GDR, wearing original historical uniforms of the former Saxon State Railway, act as engineers and conductors. In this way, they carry over to the present some of the romanticism of the 150-year-old story of the development of the railroad.

The salon trips on the stretch Freital-Hainsberg-Spa Kipsdorf are especially popular, especially for brigade activities. The salon car, which is cared for and maintained by the model train hobbyists of the work group 3/67, is then coupled onto regularly scheduled trains.

Such historical vehicles, intended for actual operations or for preservation in a museum, are compiled by number in a "Listing of Railway Museum Vehicles." Cooperation between model train enthusiasts and friends of the railroad with the Museum of Transportation in Dresden for the purpose of preserving locomotives and train cars supports this listing in an effective way.

13139

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ECONOMY

POLAND

SOVIET CREDIT AIDS STEEL MILL INVESTMENT PROJECTS

Warsaw RZECZPOSPOLITA in Polish 6 Dec 85 pp 1, 2

[Article by Zbigniew Siwik]

[Text] The Polish steel industry is outmoded and inefficient. Every year it consumes over 20 billion zlotys. It pours enormous quantities of pollutants into the atmosphere.

The very costly restructuring of that industry which began a few years ago was held back by the general economic crisis. Many investments made then have been frozen.... Meantime the economy has been ever more sensitive to shortages of steel, especially that of high quality, increased parameters and for special purposes.

To meet these needs a Polish-Soviet agreement was signed 2 years ago under which the Soviet Union would provide 450 million rubles in credits to finance completion of three of the most important investment projects which have been held up: the heat treatment of rails at Huta Katowice, a big coke plant at the same location, and the production of roll formed sections at the Pokoj steel mill.

Gas coking is intended to meet needs not only at the original mill, but also at other mills which use old style coking, causing tremendous pollution of their cities. Thanks to the coke produced here, it will be possible to produce more steel at other plants.

But the most important achievement is the start up, barely 2 years after the agreement was signed, of new divisions in the Katowice and Pokoj steel mills. At the Katowice mill a hitherto empty hall 730 meters long has been equipped with the latest machinery for tempering rails. The technology is completely Soviet and innovative. Nowhere in the world, except in the Soviet Union, is such a method of hardening rails used.

As a result of heat treatment rails become 50 percent more resistant to friction, cracking and low temperatures. The time that they can be used will be increased from 5 to 7 and a half years on the most heavily traveled routes. And on Siberian lines, where the cold cracks ordinary rails, the difference is even more apparent.

The new production section does not remind one of a traditional steel mill at all. Everything here is clean and automated. People simply control production from glass enclosed control platforms. The hall is almost at room temperature.

It is also important that the credits will be repaid in kind and not in money. For 7 years half of the production of this section will be exported to the Soviet Union. Not surprising, since not only the technology but also one-fourth of the 8,000 tons of machines installed come from that country.

Every year 20,000 tons of rails will be treated, i.e. more than half of the rails produced at that steel mill. All the rails produced in Poland are to be thus treated, since they are in demand in other countries and can be sold for \$100 per ton more. For example, major opportunities for export to Brazil are opening up; that country no longer wants to buy ordinary rails.

Our own railroads will also benefit, since the speed of trains on such rails can be raised to 150 km. And we know how often especially heavy freight trains have to limit their speed so as not to smash weak tracks. Our railroads have ordered 120,000 tons of these rails for next year.

The new section of the Pokoj steel mill does not look like a steel mill at all. In an enormous hall there are several lines of digitally-controlled machines bought a couple of years ago from the Austrian company Voest Alpine for 90 million shillings. These machines, which become obsolete faster than people get old, remained packed in crates. No Western company would grant loans to complete the equipment of the section. The Soviet Union not only provided ruble credits, but also sold cables and machine tools which cannot be bought on the Polish market.

The final touches are being put on the section, the last machines are being installed on the production lines. One important thing is the capability of changing the kind of production in as little as 6 hours, since the reequipping of the lines will amount to changing only a few machines with the help of a special crane. Machines to be replaced stand on a special ramp. Because of this, the Pokoj plant will be able to react quickly to the changing orders of its many customers. For the things produced here will be used not only for making machine parts or elements of light bridge construction, but also for automobiles, washing machines, refrigerators, pots and pans, door handles, nails and hangers.

The director of the steel mill, Henryk Kunik, emphasized that this will be one of the three sections of the mill operating in the black, in contrast to the old process. One ton can be sold for an average of 30,000 zlotys, against a production cost of about 19,000.

Every year about 100,000 tons of highly processed steel will be produced here, steel which we must now import from abroad. Of that, 20,000 tons will go to repay the Soviet Union for a few years, 30,000 will be sold normally to that country, while the other half goes to the Polish market or is exported to Payment Zone II.

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9 April 1986

ECONOMY

POLAND

SOVIET CREDIT FOR SHIP REPAIR INDUSTRY MODERNIZATION

Warsaw RZECZPOSPOLITA in Polish 6 Dec 85 p 5

[Unsigned article entitled "Development of Ship Repair Industry"]

[Text] Over 3,000 ships were repaired last year at six Polish repair yards. The value of services, about half of which were provided to foreign clients, was more than 25 trillion zlotys. This year promises to be as good, but the potential capacity of the ship "clinics" is not enough to satisfy the needs of the Polish merchant fleet the opportunities for profitable export. This situation should change in the next 5 years. A development program for ship repair yards, supported by Soviet credits, will make it possible to modernize this branch of the economy.

In recent years the process of renewing the shipyard plant has been hampered. Many shipyards and floating docks date from prewar days. They are worn out and obsolete, and in particular they are too small to accommodate large ships and those medium size ships which Polish shipping companies have. This forces the Polish Steamship Company [PZM] and the Polish Ocean Lines [or Polish Shipping Lines - PLO] to use foreign yards and costs millions of dollars. Shippers complain of long repair periods, shipyard workers refer to their own shortages: insufficient mechanization of heavy and difficult hull work, welding and painting.

The next few years will see significant changes in this respect. The development program is founded on two principles: the need to meet the requirements of our own fleet, and the need to increase the export of services. This industry should be developed because of the high yield on investments in modernization, low use of materials and low use of imports. The material requirements of the modernization program are the shipyards' own resources plus major Soviet credits. The agreement signed with the USSR will assure us 200 million rubles, which will be repaid by increasing the services provided to Soviet shippers. Under the credit agreement our eastern partner has undertaken to provide material, machines, facilities and technical equipment, and also to make part of the credit available in convertible currency. This makes it possible for the shipyards to buy western equipment.

In the next few years the yards should acquire four new floating docks (one of which will be built by the Paris Commune Shipyard in Gdynia). They will be able to accommodate even the largest (70,000 tons) ships of the Szczecin PZM.

Workshops are also counting on the delivery of modern hull cleaning equipment, automated welding and painting. All of this will be possible due to the introduction of modern technology, increased labor productivity and the quality of work.

Shippers are, of course, keenly interested in the development of the ship repair industry, and they are ready to give tangible assistance. Talks have taken place between the Polish Steamship Company and the Szczecin Ship Repair Yard [SSR] regarding credit which the SSR would use to rapidly increase its capacity. A site would be developed for construction of a floating dock and maintenance facilities for 40,000 ton ships, many of which sail under the flag of the Szczecin shipping company. A successful outcome to the talks would set another example of cooperation and self-sufficiency for the firms of the coast, for the benefit of the whole maritime economy.

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ECONOMY

POLAND

MARITIME INDUSTRY, FOREIGN TRADE COMMISSION CONFERS ON BUDGET

Warsaw RZECZPOSPOLITA in Polish 6 Dec 85 p 6

[Text] The Sejm Committee on Economic Cooperation with Foreign Countries and on the Maritime Economy has met under the chairmanship of Deputy Tadeusz Lodykowski (PZPR). The meeting was devoted to the draft budget affecting those areas.

Foreign Trade Minister Andrzej Wojcik reported to the committee on the difficulties of economic cooperation with foreign countries in 1986. Exports of raw materials and fuels have reached a ceiling. For this reason any increase next year will have to be due to higher sales of electrical and machine goods and food block products. Another difficulty is that in exports to Payment Zone II, 60 percent of the value is accounted for by so-called centrally accounted goods. In practice therefore, the possibilities for improvement through incentives are limited. The director of the Office of Maritime Industry, Minister Adam Nowotnik, described the difficult conditions under which our maritime industry has had to operate. The supply of vessels is rapidly being depreciated, thus presenting us with the threat of eliminating several shipping lines.

Speaking in the discussion, Deputy Stanislaw Bejger (PZPR) proposed that in future documents submitted to the Sejm should include specific data not only on the production of ships, but also on the types of ships produced. This is so that Polish shippers should know what kinds of new ships they can expect. The same goes for the services of repair yards.

Deputy Aleksander Legatowicz (independent) expressed the view that the draft plan and budget for 1986 did not sufficiently reflect matters related to the national debt. He also pointed out discrepancies in the growth rate for exports in various documents.

Deputies were critical of information presented by Viceminister for Finance Bronislaw Cias predicting a 25 percent reduction of the amount of benefits for enterprises in 1986. It was pointed out that this may make it more difficult to fulfill export plans.

The committee decided to propose to the Planning and Budget Commission the adoption of a budgetary law on foreign trade and the maritime industry. It also approved a number of comments and proposals on the National Annual Plan in those two areas.

The following deputies took the floor during the discussion: Ignacy Wali (ZSL), Jerzy Surowiec (SD), Stanislaw Bejger (PZPR), Walenty Milenuszkin (indep.), Stanislaw Miskiewicz (indep.), Walter Lampka (PZPR), Aleksander Legatowicz (indep.), Ryszard Szunke (ZSL), Zdzislaw Skaku (indep.) and Jacek Antonowicz (PZPR).

ECONOMY

POLAND

SOCIO-ECONOMIC COUNCIL APPOINTMENT PROCEDURE TO CHANGE

Warsaw TRYBUNA LUDU in POLISH 10 Dec 85 P 3

[Article by J. MIK: "Election of Candidates to the Socio-Economic Council"]

[Text] The Presidium of the Sejm made the executive decisions concerning the resolution on the creation of the Socio-Economic Council. This resolution was made by the Sejm at the session of November 12, thus accepting the recommendation of its predecessors, which recognized that the Council as a social consulting and opinion-voicing organ of the 8th Sejm showed its usefulness.

The motion on the formation of the Socio-Economic Council at the 9th Sejm was submitted by the PZPR Deputy Club, which was obligated by the resolution of the 21st Plenum of the Central Committee.

The conception of the present Council written in the resolution is in its main outline concurrent with the former one. This applies above all to its tasks and composition. The Council is to evaluate issues sent to it by the Sejm, the Presidium of the Sejm, and commissions. It can also evaluate some issues on its own initiative.

The novelty in the course of the work is the possibility for the appearance of its representatives at the sessions of commissions, for example, for the purpose of justifying the opinion of the Council, and also to present information or opinions at Sejm sessions.

The Council will consist as before, of representatives of state enterprises and state farms, the work crews of cooperatives, socio-vocational organizations of farmers and craftsmen, trade, socio-vocational, and youth organizations.

Deputies cannot be part of it. On the other hand, the Sejm will elect the Council chairman from among deputies. This function the Chamber gave on 12 November to the Sejm deputy-marshall, Mieczyslaw Rakowski.

The number of Council participants was increased from 150 to "no more than 250 members," according to the resolution. The Presidium of the Sejm established that the Council will have no more than 230 members.

The principles for submitting candidates have changed somewhat. Previously the Presidium of the Sejm pointed out the enterprises and organizations from which candidates to the council were to be recruited. Now this is to be done by the presidia of provincial people's councils, and the Presidium of the Sejm will only point out organizations of national scope from which to elect candidates.

Practically it appears that work crews of the selected enterprises and organizations will choose their own candidates for the Council members, and the list of candidates from the province the presidium of the WRN [Provincial People's Council] will send to the Presidium of the Sejm. The Presidium of the Sejm will also receive proposals of candidacies from social and vocational organizations submitted by the national leaderships of those organizations.

How candidates to the Council will be elected from trade unions will be decided by the OPZZ [National Presidium of Trade Unions].

On the basis of all these submissions, the Presidium of the Sejm will establish the final list of candidates for membership in the Council and will submit it to the Sejm, which will nominate the members of the Socio-Economic Council.

This ought to take place within 3 months from the day of promulgation of the Sejm resolutions. Deadlines for the submissions of candidates have been set (the latest one is 15 January 1986).

Thus in the nearest weeks many responsible actions will have to be taken that will influence the correct selection of candidates. The overseeing of the course of this campaign has been entrusted, according to the Sejm resolution, to WRN presidia and to provincial deputy teams. With regard to this, broad information is needed on the tasks of the Socio-Economic Council, an explanation of its place in the mechanisms of the Sejm, and so on.

The point is to assure that the people doing the selection are fully aware that their candidates ought to be people who are willing and able to advise the Sejm on behalf of workers and farmers, and also on behalf of other vocational, cooperative milieux, and selfmanagement and union activists.

Thus they must be people who know well the problems of their milieux, the conditions of life and way of thinking of the working class. Their opinions will be the opinions of millions of ordinary citizens who are the most interested in the decisions made by the Sejm.

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ECONOMY

POLAND

REGIONAL RISE IN TRADE WITH USSR REPORTED

Warsaw RZECZPOSPOLITA in Polish 12 Dec 85 p 5

[Article by (b.p.): "Exports to the USSR: Absorbent Market and Large Possibilities"]

[Text] (Own information) Representatives of nearly 100 enterprises of the Bydgosz, Torun, and Wloclawek provinces, participated in a meeting dedicated to the enlivening of trade and cooperative contacts with the USSR, which took place on 11 December [1985] in Bydgoszcz. The Consul General of the USSR in Gdansk, Ivan Tkaczenko, and the Vicechairman of the Polish Chamber of Foreign Trade, Jerzy Szopa, participated in the meeting.

For the years 1986-1990, a considerable increase of mutual trade turnovers has been agreed upon. They will reach the value of 74 billion rubles, and the task for the Polish side is to level the balance of the turnovers beginning with 1986. A considerable growth of specialized and cooperational links is anticipated, as well as a growth in the Polish export of products of highly processed machines and equipment, which will amount to 34 percent of the trade turnovers. The Kujawy-Pomorz region is one of the strongest centers of export to the USSR in the country, particularly with regard to the export of machines and equipment. This is highly desirable.

The discussion at the meeting was of a working and creative nature. The exporters balanced their current achievements but also did not hide the difficulties and barriers which slow down the development of exports to the Soviet market, a market that was unanimously evaluated as an absorbent one, with large, still unused possibilities. The biggest obstacle was seen in the irregular supplies of raw and other materials necessary in export production. Motions were made aimed at improving the regularity of supplies. Representatives of many enterprises, among them: the Breeding Animals Trade Enterprise in Bydgoszcz, Fruit and Vegetable Industry Enterprise in Bydgoszcz, Bydgoszcz "Stomil," the Manometers factory in Wloclawek, and others, suggested new export offers or the expansion of current ones. The Consul General of the USSR in Gdansk, Ivan Tkaczenko, pointing out in his pronouncement the importance of economic and trade contacts between Poland and the USSR, assured that the Soviet side will undertake actions aimed at the practical realization of the submitted motions.

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ECONOMY

POLAND

ELECTRONICS COMPANY INCREASED EXPORTS IN 1985

Warsaw, 13 DEC (ARSZAWY in Polish 13 Dec 85 pp 1, 2

[Article by: Ch]

[Text] (Own Information) Given the well-known difficulties in the placement of processed goods, particularly electrical engineering products, on the markets of capitalist countries, the results achieved by the METRONEX Company in 1985 are worthy of attention.

This company, which deals in the trade of electronic computer technology, automatics and measurement apparatus, gained not only a 20-percent increase in trade in 1985 but also an increase in export to the second payments area of several percentage points.

If one considers that from 1980-1984, when there were severe fluctuations in export in many fields, METRONEX doubled its trade and thus became one of the most vigorous enterprises in Poland, it is evident that it is possible to maintain a constant growth in sales.

The basic purchasing market is made up of socialist countries, particularly the USSR, where the company implements 60 percent of its deliveries within the CEMA framework. This emanates from the proper trading policy, good cooperation with the entire industrial base in Poland, long-term ties on the markets and good service. Thus, for example, in the USSR, in addition to the trade-technical center opened in Moscow, new technical servicing centers have opened up in Kiev, Minsk, Novosibirsk and Leningrad.

The results of export to the second payments area, however, merit special attention. Instead of increasing sales, most of the new exporters of capital spending goods have had to be satisfied with limiting expansion for various reasons; METRONEX, on the other hand, is increasing its results systematically. Moreover, export has risen for another year, despite the sanctions and protectionism used by some capitalist countries and despite the slow enrichment of assortments with new products. In particular, METRONEX is effectively continuing its policy of a greater export commitment on the markets of developing countries. Because of this, over the past few years, an average yearly increase in export to these countries of about 15 percent has been achieved. New markets have been acquired and former markets have been regained.

The result of consistent efforts and the canvassing that has been conducted is a contract for the delivery of 100 000 gas meters to Bangladesh. This contract, valued at several million dollars, confirms the fact that Polish industry is able to handle complex requirements related to the adaptation of products to a tropical climate.

The export development of computer services to Kuwait also is noteworthy. The company also has made service contacts of interest in India, Egypt and Turkey. For the most part, these deal with work on the automation, modernization or renovation of existing industrial facilities. The signing of a contract this year in Ethiopia for the sale of water meters and electrical power meters continues efforts there.

An important factor that ensures METRONEX of deliveries of goods for export is its participation in the so-called small-scale restructuring implemented via contracts made with producers. These deal with product modernization through aid granted by a finance company or a foreign exchange company. To date, 10 such agreements have been concluded within whose framework METRONEX ensures the indispensable import from capitalist countries valued at over \$6 million. As a result, this year additional goods for export valued at 220 million rubles and \$7.7 million have been obtained. The partners include such plants as: MERA-BLONIE, POLON, MERA-ELZAB and the Microcomputer Company.

In this enterprise, the prospects for increasing export are related to a greater flexibility ensured by economic reform solutions. Some actions, such as the accumulation of foreign exchange funds by industrial enterprises for more profitable import in larger shipments and answering certain needs related to the procurement of components, are drawing new industrial partners. However, frequently the conclusion of transactions with them is fraught with bureaucratic hurdles. While initially industrial enterprises were given a free choice of an exporter in a given subbranch, recently there was a return to the observance of so-called competency exclusivity, which is detrimental to initiative. Thus, the fear of competition arose. Those at METRONEX, however, say that healthy competition would be a positive thing. They could expand more rapidly, becoming stronger and more efficient, and their earnings could increase, at the same time enabling the growth of our export.

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ECONOMICS

POLAND

PAPER REPORTS ON RESULTS OF POLL ON ECONOMY

Warsaw POLITYKA in Polish No 51/52, 21-27 Dec 85 p 6

[Article by Stanislaw Kwiatkowski; prepared based on studies of a society-wide representative or random sampling of 1,500 to 2,300 individuals]

[Text] The Polish economy, a phrase that sometimes seems ambiguous or ironic to foreigners, is a real situation for us. It is a situation that affords little cause for pride. Is not a "second Poland" corroding on bungled foundations? Who knows whether that which has been covered over with earth, which has been wasted, would not be enough to double that which has been erected with such effort. In places where the short-lived zeal of the 1970's burned, weeds are rampant today. More than once we have shown the world that whatever else it does, Poland can squander its money and make a mess of things.

How, then, do our fellow Poles assess the situation? A year ago, in December 1984, the majority of the adult population (44.6 percent) polled by the Public Opinion Research Main Center saw Poland's economic situation as rather "difficult, but with prospects for the future"; 38.2 percent gave it lower marks and selected the answers "bad" and "very bad, one step from disastrous." Only 11.2 percent saw the situation as good or not bad. Optimists were in the majority: 56.8 percent expected an improvement in the future, 16 percent feared a worsening and 12.8 percent feared stagnation ("things will be as they have been").

Later, after the first quarter of 1985, critical statements increased regarding the price increases and optimism for the future clearly declined. This is shown by the structure of the answers to the question: "In your opinion, do the actions of the government in economic matters guarantee our emergence from the economic crisis in the course of the next 2 years?" The answers were: 1.6 percent--a definite yes, 21.7 percent--a qualified yes, 36.6 percent--a qualified no, 27.7 percent--a definite no and 12.2 percent--it is hard to tell.

These were the lowest marks given to the government for all of last year. In the summer, in a poll from the end of June, society's mood and its evaluation improved. According to the expectations of those surveyed, in the next few years (5 years, let us say), Poland's economic situation will be the following: 32 percent--a change for the better, 35.8 percent--no major change, 16 percent--a change for the worse. Some (16.2 percent) found it hard to tell.

What was the assessment of the consumer goods flow, prices and wages compared with the situation 2 or 3 years earlier? This is illustrated by table 1.

Table 1. Public Opinion Poll of Consumer Goods Flow, Prices and Wages in 1985

<u>Field</u>	<u>Assessment</u>					
	<u>Much better</u>	<u>Somewhat better</u>	<u>As before</u>	<u>Somewhat worse</u>	<u>Much worse</u>	<u>Hard to say</u>
Consumer flow of food items	16.7	58.6	12.2	5.5	3.5	3.5
Consumer flow of manufactured items	9.4	46.6	20.3	11.4	6.7	5.5
Average worker earnings	5.3	26.2	25.2	17.8	10.1	15.1
Observance in practice of principle that earnings be commensurate with work results	3.3	18.6	32.1	10.4	10.6	24.9
Rate of price increase/inflation	1.0	6.2	13.2	31.4	39.9	8.3

We still do not have data from the December poll, but at the beginning of October, the following opinions were current with regard to the economic situation: [the situation is] good, we are clearly emerging from the economic crisis--4.2 percent of those polled; [the situation is] clearly improved over a year ago--13.3 percent; [the situation is] somewhat improved over last year--43 percent.

In table 1, in answer to the question: "In your opinion, in the fields listed below, is the current situation better, worse or unchanged compared with the situation 2 or 3 years ago?" those polled replied in the following way: the same as a year ago (neither better nor worse)--25.7 percent; somewhat worse than a year ago--6 percent; clearly worse than a year ago--3.6 percent; very bad, one step from disastrous--3.9 percent.

Thus, more than 60 percent of those polled see changes for the better, usually confirming their beliefs by citing an improved consumer goods flow, a larger amount of goods in the stores, the lifting of rationing, an increase in wages and an improvement in the personal standard of living--areas that affect them directly. It is clear from this that the market and material situation of society obscures problems of a more general nature and economic mechanisms. Less than 3 percent substantiated their evaluations (both positive and negative) by referring to the economic reform, industrial production, farm production and the situation in factories.

Characterizing the economic situation of Poland in their own words, about 36 percent of those polled used positive terms such as not bad, not the worst, very good or good. Governmental economic policy was ranked still higher: 48 percent of those polled were more or less approving of it. However, more than

42 percent gave it a negative assessment, citing it as "improper," "inconsistent" or "unfavorable."

A large number viewed the economy as stagnant (25 percent). The same number as those convinced of changes for the worse (42 percent) used negative-type statements in spontaneous descriptions of the situation, such as: bad, not good, improper, below the proper level, critical and unsatisfactory. Nineteen percent used neutral-type statements such as difficult, complex and unpromising.

For the most part, negative assessments were substantiated by answers noting the increase in prices, living costs and inflation. Prices are the major factor agitating public opinion and molding society's opinion of the social situation and economic policy.

What is the reason for the current price increase in Poland? Of the 15 reasons given by the poll, those surveyed identified the most fundamental ones. These were, in descending order: uneconomical management at every turn--77.5 percent of the comments; poor work organization in the majority of plants--61.6 percent; the need to repay foreign debts--55.8 percent; price increases by socialized enterprises for any pretext--55.8 percent; the sloppy work of the majority of people--49.7 percent; price spiraling by private initiative and Polonia-type firms--49.1.

Through an analysis of all the proposed answers selected by those polled as answers with which they agreed and the three most important ones, four different ways (directions) of thinking about the causes of inflation were determined:

--Its causes were seen in poor work organization, uneconomical management and sloppiness. Almost every person surveyed chose at least one of these signs, and quite often three of five were on the list.

--Emphasis on international determinants and economic concessions in the form of private sector price discretion. This type of thinking particularly characterized those convinced that the economic situation was bearable and that the government's policy for ending the crisis was effective; these also said that they had participated in elections.

--Political factors underlying inflation (outlays for armaments, governmental lack of concern for society's living standard, overly high prices for farm products) were more characteristic of persons unwilling to take part in elections that assessed the economic situation as not the best and governmental policy as not necessarily guaranteeing an end to the crisis; they felt that price stabilization was an issue of the distant future.

--Internal economic factors (the need to equalize wages, the increase in social services, capital spending outlays, outlays to modernize industry). Those that expressed these ideas gave good grades to governmental economic policy and the possibility of price stabilization. ("The Economy in Public Opinion. A Communique From CBOS Research," November 1985).

Opinions on the prospects for price stabilization divided those polled quite clearly. In answer to the question: "In your opinion, when will articles of general consumption stabilize at a level of availability to the average consumer?"

those polled (in the same study from October 1985) said: within the next year--2.1 percent; in 3 to 5 years--32.9 percent; in 10 years--36.3 percent; never--27.1 percent.

These expectations are contingent upon the self-assessment of one's own material situation and they are tied in with opinions on government policy and the economy. The better the self-assessment and the more favorable the opinion regarding governmental actions, the greater the optimism for the future. In general, members of sociopolitical organizations and regularly practicing members of religious groups are optimistic about the future.

Does the policy of the government implemented thus far enable us to bring an end to the crisis? The majority of those polled 2 months ago said yes or answered with a qualified yes (48.3 percent), while nearly 25 percent said no. A large group (26.8 percent) found it hard to tell. Considering the fact that the question referred to possibilities in general, not within a specific time frame, a percentage of optimists lower than 50 percent is quite small.

Students, secondary school teachers and white-collar workers with a higher education within the ranks set themselves apart by being relatively more critical and more pessimistic here and with regard to other issues in various studies. The graduates of higher schools in management positions, persons belonging to sociopolitical organizations and regularly practicing members of religious groups (in general, older people, farmers and retirees) were considerably less critical and more optimistic with regard to this question.

Generally, people hope that things will change for the better, but they are also skeptical and critical. When do they expect things to improve? That depends on their assessment of the status quo. The more positive their evaluation of today's socioeconomic situation, the more rapidly they expect changes to occur. In a word, their assessment of the future depends upon what they think of the present. And when they are critical, they are cautious and skeptical in speaking of the future.

"In your opinion, what above all can impact vitally to improve the socioeconomic situation?" From a list of 19 possible answers, those surveyed selected the five most important ones in their opinion. In order, these statements were selected most often: "guarding against waste," "reducing Poland's debt," "curbing price increases," "increasing export profitability," "improving the flow of consumer goods to the market" and "attaining food self-sufficiency."

Under 20 percent (12 to 16 percent) of those surveyed thought the following were important to the economy: "increasing the role of the market in the economy (economic mechanisms)," "finalizing the church's agricultural foundation" and "giving private enterprises the freedom to act." These questions are brought up often, particularly by Western journalists that use them for political purposes. In this comparative study, they are telling enough that I do not have to make any comment on them.

What should be done above all to improve the situation in Poland? Of the dozen or so possible answers given in the poll, those stressed most often were not the sort of oppositionist answers represented by the statements "change the system" or "change the government," but such answers as "give people incentives to work better," "reform the economy" or "improve the work of offices and institutions." According to the number of occurrences, the latter were considered the most important by 43 to 61 percent of those polled. Less than 4.5 to 5.5 percent chose "revolutionary" answers.

The awareness of much-needed changes is universal. Few favored institutional changes or were opposed to the government. For those few percent that took an oppositionist stance, it probably will not be possible to overturn things. If we compare the wishes of the majority of citizens (at least those listed previously) that suggest what should be done with what we hear and read in the statements of politicians, it is evident that both interested parties are in agreement. Do we have this sort of accord on a practical question? Do we know how to achieve this desired state? We plan to show this in our next article.

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ECONOMICS

POLAND

COMPANY DIRECTORS ASSESS EXPORT POTENTIAL

Warsaw POLITYKA in Polish No 3, 18 Jan 86 p 15 supplement POLITYKA EKSPORT IMPORT No 2, Jan 86

[Statements given by the administrators of foreign trade enterprises to Jan Ciplur; article prepared by Jan Ciplur; first paragraph is POLITYKA introduction]

[Text] Very complex tasks confront foreign trade in the new 5-year period. How is it prepared for them? As we have emerged from the crisis, has the rebuilding of ties with foreign consignees and coproducers taken place? Have the geographical structure and goods structure of trade changed? What are the prospects for export development? Does the reform ensure the conditions necessary for increasing trade volume and profitability? The directors of selected foreign trade enterprises answer these questions.

Investing in Machine Tools

[Zbigniew Pawlik, director-in-chief of METALEXPORT]

Last year was a successful one for us. We exceeded the planned trade volumes in all sectors. Export to first payments area countries rose by 8 percent, while export to second payments area countries increased by 20 percent. We attribute this to the improved economic situation in some fields and to an active and flexible trade policy that has enabled us to adjust both to rapid changes in the terms of world trade in the goods of our subbranch and to changes in the organization of the Polish economy.

More than half the value of the company's trade lies in trade with socialist countries. We are expanding intensively our contacts with this group of partners. In countries of the second payments area, in addition to our progressive rebuilding of our position on traditional markets such as Western Europe and the United States, we have placed special emphasis on the development of cooperation with developing countries. As a result, their share in our export to the second payments area rose from 22 percent in 1981 to more than 50 percent in 1985. The growing role and aggressiveness of exporters from Taiwan, South Korea and Spain have brought about the need to concentrate our efforts and to partially re-orient them geographically. We also have had to try to diversity forms of trade and adapt them to the needs of our new partners. Countries such as Iran and India currently are numbered among our

basic consumers. We likewise have established promising contacts with China and Indonesia.

I believe that as a trading company, we are well prepared to develop trade with foreign countries during the next few years. This results in part from the use of the possibilities emanating from changes in the organization of foreign trade. This process should be continued and solutions such as the further relaxation of assortment divisions and the broader use of indirect steering instruments must be streamlined substantially or put into practice more rapidly.

We already have a program prepared for our company's operation during the next 5-year plan, a plan that imposes special tasks upon our subbranch. Additional capital spending in the machine tools industry is necessary for the attainment of the envisaged goals. This is indispensable for increasing the supply of machine tools for export, for reducing import and for halting the progressive depreciation of Poland's industrial park. Effective incentives for technological progress also must arise. These are the basic requirements underlying the feasibility of the tasks placed before the electrical engineering industry in the foreign trade field, and thereby in reality, the feasibility of the general concept of the entire 5-year plan.

Not Only Apples and Parsley

[Zbigniew Hryniewicz, chairman of the board of the INTERPEGO THZ]

The last 3 years were a period of significant increase in agricultural-food raw materials production. Changes also occurred that gave enterprises some measure of autonomy, however limited. This led to an increased interest in export. Consequently, we have a very good point of departure. It is even possible that we will make a jump in export growth. On the other hand, however, there are underlying conditions on whose fulfillment this jump is contingent.

First we must decide whether we want export or import at present. Now the proportions and the amount of margins are such that export, especially to the second payments area, results in losses to a firm. This refers not only to agricultural-food items. The second condition is that we must make exchange rates in export and import realistic. As long as goods imported from abroad are cheaper, no one will worry too much about economizing on foreign exchange.

Only ostensibly has the foreign trade system been reformed. The label has been changed but the contents of the jar have not. At present we are met with a much greater level of discretion and detail in decisionmaking. One comes away with the impression that the principle of the majority participation of MHZ's in companies, for example, was invented so that the company head could not make any independent decisions, including when he would take his vacation.

As for producers, the reform has had a major effect on them. In 1985, INTERPEGO recorded an increase in export to the second payments area of approximately 15 percent. Had there not been complications and obstacles,

this percentage would have been higher. I say this with full responsibility. We have very serious offers from firms that could come into Poland with a considerable amount of capital, but there is no law on enterprises and companies with foreign capital. INTERPEGA is supposed to export apples and parsley, but other opportunities come our way. For example, we are beginning coproduction in the engineering branch. There are many steps to be taken, however, for foreign trade agencies specialize, although otherwise the principle of the free selection of a broker is in effect. Even such a giant as VOLVO trades about 30 percent in agricultural-food products, for it has recognized that one cannot stand on one leg. Why should the commission that allots funds for so-called small-scale restructuring know better than my copartners where these funds would be utilized the best? And there also are numerous checks that take time and cause stress. I believe that the item is there, the production potential is there and the purchasing market is there.

The Positive Aspect of Sanctions

[Andrzej Dudzinski, first deputy general of MINEX]

The period that just passed was an especially difficult one for us. The majority of MINEX goods were exported on the markets of developed capitalist countries. Consequently, we were hard hit by the economic sanctions applied against Poland. The re-orientation of the directions of export made at that time could not avert its decline, but it did moderate the effects of the sanctions. We succeeded in halting the declining trend in our exports and in some fields we even overcame it by 1983, from which time we record steady growth.

These assessments cannot obscure the problems we encountered in implementing the 1985 plan. We are an exporter of goods (including various types of glass, ceramics and cement) whose producers are very dependent upon deliveries of energy agents. Energy cutbacks had a negative impact on production and thereby on the export of cement as well. We cannot fill the gap that has arisen here with the export of other goods, since the sale of cement represents about 25 percent of the value of MINEX export to the second payments area.

When we speak of sanctions, we also should keep in mind their secondary, added effect, one not anticipated by those that initiated them. Some European capitalist markets have been rediscovered (Scandinavia, for example) and trade with socialist countries has increased. They have become an important trading partner for us, especially with regard to industrial procurement of basic raw and semifabricate materials. We are convinced that in the future, the further development of such cooperation will take place. We also see great potential for increasing trade with the EEC.

The general assessment of solutions ushered in within the reform framework, both in production and trade enterprises, must be positive. This is not altered by the fact that there are some problems in their implementation. At the time that they were introduced, the state of the economy was far from normal. What is essential, however, is that economic mechanisms are being modified continually as the circumstances of their operation change and

as experience is gained in their utilization. We all must realize that the introduction of the reform was and is a dynamic process on whose course many internal and external factors impact.

Problems of Innovation

[Andrzej Ziaja, director-in-chief of METRONEX]

For 3 years, METRONEX has been operating under a new organizational structure, as a limited liability company. This has allowed us to cement cooperation with industry and has created an atmosphere of joint responsibility for the development of foreign trade.

Calculated in constant prices, METRONEX trade rose from 1983 to 1985 on an average of 16 percent per year, and the share of export in trade rose from 63 percent in 1983 to 65 percent in 1985. Ninety percent of the company's export goes to the first payments area. METRONEX conducts all enterprise business related to cooperation with CEMA countries. This ensures copartners of regular long-term sales. At the same time, it meets the needs of coproduction and producer goods import from socialist countries.

With regard to the second payments area, like other enterprises, METRONEX has felt the negative effects of sanctions and protectionism, particularly the withdrawal of most-favored nation status by the United States. It is also grappling with the problem of a lack of technological innovation and with difficulties in holding markets and clients. We are trying to keep up our established coproduction ties and retain our regular clients on traditional markets. At the same time, we are conducting a policy of greater commitment in cooperation with the Third World. This allows us to plan a greater increase in export to this area than to developed capitalist countries. We also are participating in efforts aimed at modernizing production in the subbranches of industry that we represent; we are trying to improve the quality and the promptness of export deliveries. The success of our efforts has been confirmed by the good results of the last 5 years--the doubling of trade with countries of the second payments area from 1980 to 1984 and the attainment of a 20-percent increase in export in 1985 as compared with 1984.

Chemistry Is Still Underrated

[Zygmunt Stefanski, director-in-chief of CIECH]

From 1983 to 1985, there was a basic rebuilding of ties with our foreign consumers, with the exception of the United States. We now place the goods traditionally supplied there on other markets.

For several years, CIECH has been implementing export plans to socialist and capitalist countries, but this is not a matter of special pride for us. The company's workforce would feel better about itself if we recorded not only the implementation of plans, but also a considerable growth in export, taking into consideration the devaluation factor. Organizationally we are prepared for this, but we must have something to sell. At present, new capital

spending projects are being set in motion, but from an old portfolio, for example, in the production of PVC or antibiotics. This should enable some growth in overall export, unless other subbranches let us down.

With regard to pharmaceuticals, except for antibiotics as noted previously, we cannot expect an increase in export to second payments area countries from 1987 to 1990. We have a similar situation in the other subbranches of the chemicals industry. The 1986 forecast of a production increase in this industry of 5.4 percent, with a planned increase of 5 percent in the electrical engineering industry, may be regarded as evidence that the need for the more rapid development of chemistry is being observed. Prospects for 1987 to 1990 do not meet our expectations. It is difficult for me to explain to the company's workforce why, given a situation where foreign exchange is needed and where the chemicals industry obtains it much more cheaply than the electrical engineering industry, it seems that the distribution of capital spending projects is unfavorable to chemistry in spite of this. Perhaps we have a parochial view, but the increasing import of chemicals from the second payments area forces us to wonder about our trade balance. We cannot allow a further widening of the gap.

Our Position Obliges Us

[Nikodem Muszynski, director-in-chief of ELEKTRIM]

ELEKTRIM is an atypical foreign trade enterprise, for during the most difficult period, at the beginning of the 1980's, it experienced dynamic growth. From 1980 to 1984, our export rose by 27 percent. We hold the first place among foreign trade agencies exporting products of the electrical engineering industry. Our share in this export is nearly 13 percent, while our share in sales to second payments area countries is more than 20 percent. We have strengthened our position on many markets obtained during the 1970's and we have maintained coproduction ties with many well-known firms.

In 1985, the value of trade with the first payments area exceeded 790 million rubles--\$352 million. While we do not hide our pleasure at the position we have attained in recent years, we likewise realize the responsibility we have because of this, given the need to give the Polish economy a true export-oriented direction.

We attach much hope to the Chinese market. It is complex, but interesting and promising. In 1986, the agreements signed in 1985 on trade and industrial cooperation with the West European firms BBC Brown Boveri from Switzerland and Siemens from the FRG should bear fruit. We likewise place great emphasis on creating stable ties with our domestic partners. We are developing not only trade but also industrial cooperation.

Our own actions, however, are insufficient; broader-scale changes promoting export are needed throughout the economy. From our viewpoint, the lack of institutional regulations on the export of complete factory installations, taking into account the specific nature of such export, continues to be a serious problem.

ECONOMY

POLAND

CHANCES IN SMALL-SCALE MANUFACTURING PROGRAM

Warsaw ZYCIE GOSPODARCZE in Polish No 4, 26 Jan 86 : 2

[Article by Urszula Zatorska: "According to Needs or Possibilities?"]

[Text] For several months now, work continues on the program of the development of small-scale manufacture to the year 1990. Its consecutive modifications were analyzed by the Council for Small-Scale Manufacturing (we wrote about it in ZYCIE GOSPODARCZE no 40/1985) and by the Presidium of the Planning Commission. Recently the 12th team on small-scale manufacturing, services and crafts of the Commission for the Economic Reform, undertook work on the modified and improved version of the draft which includes motions from previous discussions. Incidentally we may mention that it was the first meeting of this body after a long intermission.

The authors of the draft, representatives of the Ministry of Trade and Services, this time hoped that the presented draft would be the final one. It turned out, however, that despite the numerous modifications and changes, the program continues to be controversial and is generally considered not courageous or innovative enough. The members of the 12th team of the Economic Reform Commission also took the position promoting the possibilities that the tasks of small-scale manufacturing be further increased, while at same time some economic and financial tools be changed.

Now, then, does the modified version of the program prepared by the Ministry of Domestic Trade and Services [MHWIU] look, or else, how does this department see the participation of small-scale manufacturing in the economy of the current five-year plan?

The starting point in the preparation of the program was at first submitted by the provincial and central organizations of small-scale manufacturing proposals for the National Socioeconomic Plan [NPSG] for the years 1986-90. It appeared, however, that the sum of those proposals did not assure an essential participation of small-scale enterprises in the structure of our industry, assuming that in the past 5 years there has only been a 24.2 percent increase in their production. Thus the current version of the draft definitively rejects the "local conception," adopting a variant that assumes a faster pace of development of light industry and services. The new draft devotes more attention also to the problems of cottage work and to the cooperative links of small-scale manufacturing enterprises with key industry.

Socialized small-scale manufacturing, according to the program, is to gain in the five-year plan a growth of 142.4 percent, which gives a yearly average growth rate of 7.33 percent. These are much higher indices than those adopted in the NPSG variant of the general development of socialized industry, ratified by the Sejm, amounting to 118.3 percent and 3.45 percent, respectively. These high indices, however, mean a defacto slowing down of the rate of development of socialized small-scale manufacturing in relation to the rate obtained in the years 1983-85, and the majority of criticisms of the program is addressed to this. In the period of those 3 years, the value of the sales of production and services (calculated in constant prices) increase by 44 percent.

In the opinion of the authors of the draft, however, the slowing down of the pace derives from a realistic evaluation of the economic situation, and particularly the supply situation. The program assumes that a growth much higher than the average should be gained by those branches of small-scale manufacturing in which raw and other materials will not constitute a basic barrier to development. Above all, with regard to the mineral industry (construction materials, ceramics, etc.), and the food industry, which in the 5-year plan ought to double their production. On the other hand, the lowest growth (132-136 percent), due to the lack of prospects for improving the supply situation, is assumed for the chemical, electromachine, and light industries.

The program of development of small-scale manufacturing is based on the assumption that besides a better use of the existing production base, in the years 1986-90 there will take place an increase in the number of enterprises and cooperatives and an increase in the number of employees. One and the other at the level of the increase gained in the years 1983-85 [sic]. Among other things, it was assumed that up to the year 1990 in the area of all provinces there will be nominated enterprises of local industry. This ought to be favored by the resolutions on the national reconstruction and development of local industry. Primarily, i.e., in the earlier version of the draft, 19 provinces did not declare the need of opening this type of enterprises at all. The current version assumes that the local industry in the 5-year period will increase its production by 55.8 percent. The plans are for the existing enterprises to undertake concrete initiatives resulting from local needs. With regard to this, there is a lot to be done, and they will not copy what already is being done locally by the crafts and cooperatives.

The development of the crafts, according to the program of the MHWiU, will also take place at a slower rate from that gained in the past few years, which is also explained by difficulties with supplies and manpower, and difficulties in finding facilities and funds for the development of the crafts industry. On the other hand, the question of representing this development by concrete numbers remains open. In the first version, the draft proposed a growth of development of crafts amounting to 126 percent, and in the corrected version, 136 percent. At the same time, crafts people themselves recently proposed a new variant for their development that would give within the 5-year period a growth of 175 percent, providing, however, that numerous conditions,

concerning, among other things, materials and technological supplies, financial solutions, etc., be met. Which of these variants will become possible for realization will become known when agreements with other departments, the department of the machine industry among others, will come to the end. The number of crafts enterprises is to increase in the 5-year period by 35 thousand, i.e., 11 percent, and the number of employees by 80 thousand, i.e., 13 percent.

The programs's assumption with regard to foreign small-scale manufacturing enterprises, is their moderate and selective development. It is assumed that the number of these enterprises will increase by 90, i.e., 13 percent, and the number of employees by 7 thousand, i.e., 15 percent, while the turnovers by about 60 billion zlotys, i.e., 37 percent.

As a result of these assumptions and indices of development, the internal structure of small-scale manufacturing will somewhat change. By the end of 1985, the participation of the socialized light industry in it amounted to 50.2 percent, the participation of the crafts, 36.5 percent, and of the foreign light industry enterprises, 13.3 percent. In 1990, these numbers are to amount respectively to: 51.2 percent, 35.7 percent, and 13.1 percent. Namely, the participation of the socialized small-scale manufacturing will increase a little, and of the other two sectors, will diminish.

On the other hand, the participation of the whole small-scale manufacturing in the national industry in the realization of the programs assumption will amount in 1990 to 12.9 percent.

The discussed program also contains a part concerning the development of social services. In this domain it is rather modest and does not promise too much. As a principle it adopts the proposals submitted by particular units to the NPSG. Only the crafts puts forward more ambitious tasks. As a result, the program assumes for social services a growth of 137.9 percent in the 5-year period, with an increase of the number of service facilities by 9.7 percent and the number of employees by 6.9 percent.

Somewhat more difficult than raising the bar of the tasks of small-scale manufacturing, is modifying its economic tools. In this part of the program some changes are taking place too, for example, the decision to lower by 8 percent the income tax for a large part of small enterprises (the funds thus saved will strengthen the resources of those enterprises), and a new, more favorable decree on tax and a tax card for crafts people performing services, was issued by the minister of finances. Nevertheless, many issues still constitute an unknown, while on the other hand, some already known tools, with relation to small-scale manufacturing, raise doubts as to their sense and effectiveness. For example, there is no guarantee that economic tools effective in other sectors of the economy will prove useful in small-scale manufacturing, where, for example, the degree of the wearing out of the durable assets is, on the average, higher by 10-12 percent than in the key industry. Also important is the question whether burdening the services industry with participation in the creation of the Fund for the Services of the Foreign Debt will not deepen the crisis in which this industry finds itself.

During the years 1982-85, which were very difficult for the economy, small-scale manufacturing increased its participation in production on the whole by 8.5 to 10.5 percent. Therefore, those who care about the development of small enterprises find it difficult to agree that the increase to 13 during 5 years, assumed in the program, is the best that small-scale manufacturing and the whole of the economy can manage to do. Thus it is difficult to resolve whether, in the part of tasks, the program is too cautious, or too ambitious. On the other hand, we must certainly look for other solutions and ways of overcoming difficulties, more effective than current ones and those included in the program. Prof Czeslaw Niewadzi also pointed it out, saying that the program lacks above all the answer to the question how to overcome the present barriers of development to small-scale manufacturing: the supply base and the manpower base, the deadlock in the development of exports, the dying out of cottage work, etc.

"The goal which the program puts forward," said Prof Czeslaw Niewadzi, "namely, to increase the participation of small-scale manufacturing in the economy, is not a goal in itself. The result intended is to raise the efficiency of management, which cannot be achieved without making earlier correct diagnoses."

Precisely with regard to the correctness of the diagnoses included in the program, the participants in the discussion had many reservations. The program assumed that the average size of a crafts enterprise will not be changed because our tax policy favors only small crafts workshops.

"Our goal is not to adjust the program to the fiscal policy," said Prof Niewadzi, "but to define the most desirable and effective directions of development of small-scale manufacturing. The fiscal policy ought to be adjusted to them, and not we to the policy."

Also the thesis about the nonprofitability of small service enterprises, which, in the opinion of the authors of the program, results from the economic calculus, did not find support among the team members of the 12th Commission on the Economic Reform. They pointed out that this nonprofitability results above all from a nonefficient system of incentives functioning in services. A system which actually induces those employed in services to moonlight and engage in non-registered services.

"Low wages," said Edward Koska, director of the "Podryn" Association of Market Production Enterprises, "next to supplies, constitute the basic barrier of development of small-scale manufacturing. Despite the fact that small-scale manufacturing industry shows better results and productivity than the key industry, wages in it are lower. In 1984, for example, average pay in socialized small-scale manufacturing constituted 81.1 percent of the average pay in the key industry and this trend continues."

High productivity of the durable assets of socialized small-scale manufacturing is attested by the fact that while having durable assets of 2.2

percent of the value of the durable assets of the whole socialized industry, it provides about 5.6 percent of the whole sold production. The value of sold production for one thousand zlotys of the gross value of durable assets in this industry amounted in 1984 to 2989 zlotys and was nearly three times higher than in the whole of socialized industry. Thus it is justifiable to ask whether we should not direct more funds from central supplies to where they are used the most effectively.

Particularly since units of small-scale manufacturing can play an important role in the restructuring of the economy. For if in the present conditions a restructuring of big industry is connected with large outlays, utilization of small-scale manufacturing remains a realistic choice. In other words, we ought to consider whether the directing of an increasingly larger part of the increase of productive resources is not the current alternative of economic growth.

Also important is the question of the technical equipment of small-scale manufacturing enterprises. In highly developed countries, it is precisely small-scale manufacturing industry that has at its disposal the most modern machinery and is, in a certain sense, the testing ground for new technical solutions. Would not such an approach serve our small-scale industry too? Was the question asked during the discussion? Particularly, since the changes in this domain may decide about the passage of small-scale manufacturing from an extensive to an intensive type of development.

"In other countries small does not mean old fashioned, and it should not mean it in our country either," summed up the subject Hubert Morawski, vicechairman of the CZSP [Central Board of Small-Scale Manufacturing].

In the course of the next few weeks, the program of development of small-scale manufacturing ought to be modified by the observances made during the course of the deliberations, and after the final amendment, will be considered by the government. Only its realization, however, will show whether the program, constructed so long and with such difficulties, will become a catalog of empty slogans, or whether it will fulfill the ambitions of small-scale producers, using in a correct way their possibilities and increasing the role of small enterprises in the economy.

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ECONOMY

POLAND

PAPER: YOUNG TRACT, COOPERATION WITH DU PONT

Warsaw ZYCIE GOSPODARCZE in Polish No 4, 26 Jan 86

[Article by K.P.: "Ten Years of Du Pont"]

[Text] Last year the Du Pont firm celebrated the tenth 10th anniversary of the activity of its branch in Poland. On this occasion a press conference was organized in Warsaw, during which Du Pont representatives acquainted its participants with the history of the firm, its present directions of production and future plans.

Poland is, after the Soviet Union, the second partner among socialist countries. The firm exports to Poland large amounts of synthetic fibers; through "Textilimpex" we receive fibers of the so called second and third generations (among them, two-factor antistatic fibers), used by light industry (hostery, lingerie, light and sport clothes).

Poland is also a recipient of the technical poliamid, used in the production of technical textiles, which find application in the production of tires and transport belts. Du Pont also cooperates with Poland in the textile industry. Among other things, it is involved with the knitting research and development center, where work is carried out jointly on the production of a core elastic fiber, applicable in the production of sport cloths and underwear. Polymers produced by Du Pont are used in about 250 Polish enterprises of various branches. Among them are producers of construction products, elastomers, teflon, and various types of foil. The firm also supplies our market with pesticides and pharmaceuticals. Currently there are 8 types of the former in Poland, they all passed very strict tests of usefulness in our climatic and environmental conditions. In the field of pharmaceuticals, the firm is interested in expanding cooperation with Poland, it plans to purchase several licences, wants to participate in a joint production of the so called anticoagulants, and plans to introduce in our market several specific drugs particularly needed by the health service.

In 1984 and 1985, the firm bought Polish goods and services amounting to 40 percent of the value of our country's exports, 15 percent of which were purchases of our coal. Efforts are made to increase the import of Polish products that would meet world quality and price standards, although full balancing of our mutual trade will probably not take place for still some time.

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ECORINT

POLAND

REPORTAGE ON POLISH ECONOMIC SOCIETY MEETING

Chairman Interviewed

Warsaw ZYCIE GOSPODARCZE in Polish No 45, 10 Nov 85 p 1, 4

[Interview with Prof Zdzislaw Sadowski, current chairman of the Polish Economic Society, by Karol Szwarc; date and place not specified]

[Text] [Question] I sometimes hear it said in discussions with economists from enterprises that this is not a period of reform but rather the best of times of the old system. Are these erroneous observations or are they just spiteful remarks?

[Answer] Perhaps these statements are simply an expression of bitterness. Still, they come as somewhat of a surprise. Economists should better understand what is actually taking place. Of course it would be absurd to say that we are living under the old system. Many fundamental changes have taken place. Perhaps there are some enterprises where nothing has changed, though I cannot believe that. If, however, there are enterprises which did not experience any change from the time reforms were implemented, then they alone should be held responsible for such a situation. This would show that they were slow in taking advantage of opportunities which became available to them: changes in organization were not introduced, changes in the system of remuneration were not brought about, etc.

[Question] Then would you say that we are getting closer or farther away from the model proposed under the "Program"?

[Answer] There is no doubt in my mind that we are getting closer to this model. The road leading to our goal is long and arduous. I believe that we should continue reminding ourselves that the course we need to follow is not smooth but rough and bristling with conflict. Many people are confused by this picture. They would rather these obstacles not exist. But this is simply impossible in view of the steps which need to be taken to reform the economy. What is important, however, is that we are advancing in the right direction. All the objective investigations conducted comprehensively and scrupulously attest to this fact with all certainty.

[Question] Some economists, mainly careerists, are currently saying that the claim for reform is quixotic. These words surely must contain bitterness over their own defeats when they authoritatively took charge in changing the

system of economic management. Now, however, they fear that nothing will come of these reforms. Sir, do you share these same misgivings?

[Answer] If each human activity was based exclusively on past deeds, then in all probability, no progress would ever be possible. Everyone would only be frustrated.

One can and should have misgivings, but they, however, should not inhibit one's activity. Anyone who gives in from the onset for fear of failure deserves only pity. The reform is a battle waged against both external and internal obstacles. Blows are expected to be received in this struggle for this is only natural.

Statements that nothing will result from the reforms and, therefore, should be abandoned were stated by some individuals from the very beginning even before the requirements different from those 5 years ago. This, however, does not mean that they are satisfactory; far from it. We still do not have either a uniform pricing system or stable system of foreign exchange. The success of the reform will depend on such fundamental concerns. Their solution requires us to follow a consistent course which cannot always be maintained. However, the course taken in bringing about change is correct if we compare today's system of pricing and foreign exchange with the one existing in the past several years. Of course, it is true that these systems are not fully stable which consequently hinders the work of the reform.

[Question] The doubts being raised generally are concerned more with what has already been achieved than with the direction to be assumed.

[Answer] It is often said that various forms of regulation designed to manage the economy are inconsistent with the guiding principles of the reform. This is true, but we must understand that their application arises from specific situations such as a lack of convertible currency. If regulations gradually increase, then it would be correct to say that we are regressing. However, as long as regulations are confined to a definite period to serve a specific purpose, then we can say with full confidence that we are progressing even if this progress is slow in occurring. It is only natural to desire a quick withdrawal of regulations.

[Question] Then it would seem that an important criteria in evaluating the reform lies in its feasibility.

[Answer] This is a crucial criterion. We can also see this in terms of pricing. It is not enough to just formulate euphonic demands that prices must be regulated because everyone is aware of this. Instead, we must find a solution that will stabilize prices under specific conditions. We cannot, after all, economically realize an accurate pricing policy since we must take into consideration its social consequence and the necessity of curbing inflation. Still, it is difficult to maintain that everything possible has been done. That is why so much importance is placed not only on an open professional discussion among economists but also in confronting the results of such discussion with appointed representatives, especially those from professional organizations.

Similar arguments would be given to the system of taxation and social services. Complete solutions are of the utmost importance because the effectiveness of the entire system will ultimately depend on them. However, I cannot reconcile myself with criticisms directed that the reform amounted to the abolition of a system concerned mainly with control work and recognition. It is true that there exist several elements which impede the realization of the guiding principles of the reform and provide a brake on work to reduce costs. This, however, is not an insurmountable obstacle to the system and it has no bearing on its essentiality. A stronger battle is being waged to overcome these limitations which were brought about by the impossibility of facilitating equal starting conditions for enterprises. Such criticisms, therefore, do not help but rather themselves become factors hindering the reform by producing its failure.

[Question] A majority of theorists believe that a totally different approach to our utilities will not be taken. In addition to accurately defining the model we choose and specifying the limits of administrative and economic constraints and the relation between them. Sir, are you of the same opinion?

[Answer] Theorists hold various opinions. This is only natural since they represent different economic settings. I am a theoretical strategy limited by economic practice which leads me to believe that it will be difficult accurately to define such limitations using a purely theoretical approach. The limitations bearing relevance to administrative constraints and economic constraints will continue to be an area of dispute and one of controversies where contradictions will arise. We must keep in mind that progress in realizing an efficient national economy will only come when administrative constraints gradually fade in favor of economic constraints.

However, I do not believe that there is an immediate need to artificially determine which these limitations would be. Perhaps the economy will soon function so efficiently that the need to curb administrative constraints will pass altogether.

[Question] Professor, are I to take this as a joke?

[Answer] Sir, you are taking this as an expression of humor.

[Question] I understand, but won't the implementation of reforms then be altogether on the basis of "voluntary structural policy"?

[Answer] A reform intended for the economy's functioning on the economy must be closely conducted by structural changes. These two things are inseparable. A reform allows for structural changes to come about. This, however, does not mean that they are easily undertaken. From the economic participation is essential and the reform creates the conditions for it in three particular areas.

First, it creates a system which encourages and forces, within the economy and promotes the development of efficient enterprises. When this process takes hold it will lead to inevitable structural changes. Changes in which production becomes more cost-effective.

Second, the reform will allow small- and medium-size enterprises to emerge. Due to the high level of production, few exist at present. Meanwhile, they are essential in promoting structural modifications since they make socially desirable expansion and technological progress possible.

Last, it will be necessary to shift production toward areas of vital importance to the national economy. This can only be done through centralized investment for its achievement is beyond the capability of individual enterprises or even whole industries. These undertakings require organizational and financial attention in particular.

The reform should serve to see that all of this comes about through a systemic rather than a financial approach.

[Question] But it is exactly this view which often brings resentment of the reforms. Isn't it said that system does in fact exist but one without money or even assets?

[Answer] A system does not create funds but rather assists in their creation. That is why solutions promoting initiative are introduced; that is why you create various opportunities for combining the funds of enterprises, for making loans more available and for increasing cooperation.

[Question] Sir, don't you believe that the anxiety shared by economists over the reform is due to a return in some areas of indirect management practices?

[Answer] The term "indirect management" should be eliminated from the dictionary altogether since it does not belong in the reform vocabulary. In the new economic system there is no place for enterprises to be managed from above. This is prohibited by laws that are in force. Management from above kills both initiative and self-sufficiency which are essential in creating and promoting collectivized enterprises. The main concern, therefore, is not with management from above but rather with actions by the central authorities to influence firms indirectly using economic tools and policies. Certain direct expedients can undoubtedly also be applied in this system such as a ban on the use of energy-intensive technology or a ban on producing products which have become obsolete, are import-intensive or are harmful to the environment. Such bans are and will be observed since they comprise the arsenal of the actual reform.

Nevertheless, I must agree with you that management from above is becoming more prevalent and should be a cause for concern. We must resist this but not just emotionally. Concern itself will not solve anything. These practices are not just expressions of someone's ill will. First of all, we must come to realize that real problems do exist which give rise to such practices and, therefore, solutions other than those which may directly lead to the reestablishment of indirect management must be found.

One such problem may be, for instance, the need to improve assembly production.

[Question] Does this then require the immediate establishment of conglomerates as was the case with MEGAT?

[Answer] I do not think so. I do not consider conglomerates a desirable form of organization since they do not serve to stimulate initiative and resourcefulness. This would only lead to tighter forms of management. We should be looking for other, more appropriate solutions which may and, at times, must combine the resources of many enterprises and even establish organizational unions modeled after a consortium. This points to the establishment of integrated unions and cooperation between individual enterprises toward realizing mutual, well-defined ventures; and not to increasing the autonomy of a certain industry, usually in the trade sector, over the levels of authority.

[Question] I have heard it suggested that technicians are the chief backers for the excessive concentration of the economy. This leads me to believe that technicians take a conservative view of the reform. It has even been said that this had led to an open conflict between economists and technicians. Can this be true?

[Answer] I feel that this is not only false but harmful as well. Such a conflict does not exist. Technicians contribute invaluable to the discussion of economic performance. Such discussion relies on their keen practical knowledge of the technological state of the economy, on the specific consequences of low production or one which is material- or energy-intensive, on poor economic utilization and on the possibilities for technological development.

An economist is professionally concerned with matters pertaining to economic calculations and tradeoffs. It would be most unfortunate, especially at a time when the system and structure are undergoing modifications, if these two professional groups did not work together.

[Question] Declarations of mutual cooperation are plentiful. For instance, an agreement on mutual cooperation had recently been signed, for the second time, between the Chief Technical Organization [NOT] and the Polish Economic Society.

[Answer] I am glad that such an agreement exists, one which expresses the intentions of both groups. Such agreements are becoming more common and are bringing concrete results. However, it is also true that there often exists a problem in finding common professional approaches to basic economic issues. Economists suspect some members of the technical community of treating reality a bit too mechanically. Technicians, on the other hand, feel that economists do not appreciate their work.

I believe, however, that certain areas do exist where common language can easily be found. We need to be more resourceful and innovative when looking at technology, economics and organization. Both groups are open to these issues. The point, however, is whether a mutual course will be reached.

The growth of initiative is contingent on clarifying the status of a director of a collectivized enterprise. He has to be assigned the task of organizing this initiative and, therefore, has to fulfill an extremely important social function by steering technological and economic progress, by developing the forces of production and the country's socioeconomic position. We still do not have an answer as to how, in the economic system, we are to assure the

director's right to take risks, his appropriate status and salary or how to involve him fully in directing the enterprise by working together with workers' unions.

[Question] Sir, how would you evaluate the position of just the economic community in the fourth year of the reform?

[Answer] I have recently held many meetings with PTE representatives who informed me of the resolutions passed by provincial branches of our group prior to the 14th Polish Economic Society National Congress. I have the impression that we hold similar views and have a strong commitment to working diligently toward our goal. It is gratifying to know that such unity exists in such a large organization as the PTE whose strength lies in the activities of its provincial branches and institutional circles. Such consensus is especially invaluable to a decentralized and horizontal structure like ours which we must protect and develop. It can be said that the PTE is fighting for the success of the reform and is determined to promote its consistent continuation. There are, of course, differences about the precise steps to be taken. But it is good that such differences exist since their debate will make it possible to reach real progress in consolidating the new system of economic management.

[Question] Thank you for the interview.

Leading Economists See Slow Progress

Warsaw ZYCIE GOSPODARCZE in Polish No 45, 10 Nov 85 p 3

[Article by Marek Misiak]

[Text] At the initiative of the Warsaw Branch of the Polish Economic Society (PTE), a subsequent nation-wide conference was held before the start of the 14th PTE National Congress. Economists had expressed concern for the current performance of the reform as they had a month ago at a conference on the National Socioeconomic Plan [NPSC] for 1986-90.

Course for the Future

Prof Zdzislaw Sadowski, the first to speak, expressed the need to accelerate economic reform. He believes that in order for economic reforms to succeed, people working at all levels of the economy must be made to think in terms of the future. There is no question that the present course of economic reform is riddled with problems and inconsistencies. However, Z. Sadowski, as could be gathered from his speech, does not see any choice other than following the established course more closely than heretofore. To postpone steps necessary toward accelerating reforms would do a great disservice to the economy and country.

The difficulty in accelerating reforms results from, inter alia, the need to assume a more adequate pricing scale than exists at present (the problem with pricing occupied a leading place in statements issued by speakers and in discussions).

One improvement which can be pointed to, in Z. Sadowski's opinion, is the drop in sales in so-called regulated prices from 15 to 3 percent.

Prof Jan Mujzel, Jerzy Adam Lipowski and others stressed, however, that prices continue to compose one of the weakest points of the reform. There are still too many ministerial and bureaucratic factors used in establishing prices.

According to J. Mujzel, an inflationary spiral caused by periodic market imbalances should be accepted since it cannot be avoided. It could even be tolerable to a certain degree for it would substitute hidden (suspended) inflation for open inflation. The rise in inflation could be contained within bearable limits by increasing supply and controlling demand. In J. Mujzel's view, the fundamental problem concerns the creation of a system which would induce firms to increase output. Attained market equilibrium should favor this. Under equilibrium, firms will be less likely to pass the effects of their inefficiency, through higher prices, onto consumers. This should allow for an even closer relation between business incentives and profits. J. Mujzel believes that this will then create a situation allowing for a departure from an exaggerated system of high taxation to support the national budget. Furthermore, inflationary trends will be permanently extinguished as firms show greater incentive to increase their earning capacity.

A. Lipowski's speech contained a similar view. In his opinion, curtailment of excess consumer demand is vital in curbing inflation. Central investments, both connected and not connected with production, therefore, must be maintained at a reasonable level. The budget must be balanced and the system of credit moderately expanded. In light of this, one must consider A. Lipowski's recommendation on restructuring the country's financial system in such a way that it would limit the issuance of money.

Is a Recession Imminent?

Minister Z. Sadowski stated that the creation of trade-wide monopolies obstructing economic mechanisms are not in keeping with the economic reforms being realized in Poland. The creation of diversified enterprises tending to obstruct economic mechanisms, economic accounts and the autonomy of personnel are not consistent with the spirit of reforms.

How did these tendencies come about in our country? Reforms, after all, cannot foresee the creation of indirect management between ministries and enterprises. Ministries themselves should withdraw from directly managing enterprises. According to Z. Sadowski, tendencies inconsistent with reforms are manifested in contradiction.

Can these contradictions, however, under our present situation again threaten a recession, as has been the case more than once in the past decade?

Prof Jozef Pajestka believes that such dangers should currently be treated as genuine, even if they are only transitory.

Prof Urszula Plowiec, in reference to this part of J. Pajestka's speech, pointed to the existence of a hierarchical managerial structure in various departmental and commercial systems. J. Pajestka suspects so-called technocratic and conservative forces at work at hindering the reforms. According to her, they are motivated by ignorance and special interests.

Doctor M. Rakowski stressed during the discussion that an excessively exagger-

ated distribution system has contributed to a growing bureaucratic and monopolistic trend. An economic imbalance also furthers the formation of pressure groups within firms in order for them to adapt to the situation. These groups also wish to focus on policies promoting inefficiency.

The focus currently is on a situation more difficult than had existed in the past decade and one not controlled by any independent processes. The restoration of regionalistic and bureaucratic trends is, therefore, presently seen as an obstruction whose outcome cannot be predicted in the long term. Nevertheless, it would be a mistake to ignore these obstructions for having done so in the past cost us dearly.

Slow Progress

The minor strides achieved with the reforms, appearing most sharply in the distribution sphere, seem to be more harmful in the long term than our abandoning the reform program. Prof Czeslaw Skowronek referred to this point using the supply of materials as an example.

Operative programs have replaced governmental orders but the range of priorities continues to be greater than the potential of the economy and, therefore, regulations in the supply market have not been removed. More and more enterprises engaged in supplies are entering into obligatory production unions. Ministerial departments and branches were to be excluded from direct control of distribution processes. This, however, did not occur. Evidence of this can be seen, for instance, in the dispensation of hard currency.

C. Skowronek agreed with J. Mujzel's assertion that bold steps need to be taken in stimulating the pricing system and in restoring economic balance in order to avoid the threat of continued regulations in commodity distribution together with the negative consequences associated with them.

Even if this or that industry managed to increase the supply of goods through domestic production or imports it was not followed by regulatory restrictions. There exists a misconception that almost all production ordered by the government is distributed. In C. Skowronka's opinion, this is mostly due to cautionary measures verging on conservatism.

As could be gathered from Prof Wladyslaw Jaworski's speech, the changes in the system of finance and credit were inconsistent and incapable of meeting expectations. This is evident from the increase in the population's monetary reserves which this year will probably amount to approximately 200 to 300 billion zloty, far exceeding planned quotas, and an excessive rise in investment expenditures. Attempts made by banks to limit the amount of credits to enterprises in 1982-83 failed because enterprises, even the inefficient ones, somehow obtained money. In 1984, due to the scarcity of business credits, enterprises were observed to either assume excess debt or resign themselves altogether from bank credits. Banks, therefore, this year began to slightly extend their credit policy to efficient enterprises. The situation, however, continues to remain paradoxical.

Investment demand is much greater than originally planned, yet enterprises are scarcely taking advantage of investment credits. The deficit is rising, yet enterprises are continuing to take advantage of large budget subsidies and various tax reductions and exemptions which simultaneously allows them to operate without bank credits. Only 20 percent of new business investments are financed through investment credits.

Surely economic reform is not based on everyone receiving allotments, subsidies, tax reductions and exemptions, W. Jaworski said. As long as such a situation exists with the budget replacing banks in our country, it will be difficult to speak of the practice of using financial tools in allocating funds.

The conference progressed in a lively manner. Dorent Czeslaw Uhma submitted a rather important long-range proposal of integrating ministries. In the view of this speaker, it would also be necessary radically to change the structure of existing ministries (institutions) in order to eliminate bureaucratic branch divisions.

Tadeusz Oleksy also contributed to the discussion by exposing the weaknesses of the present wage and incentive system. Statements made by economists from enterprises (Jozef Ciszewski from Cracow's HYDROMOT and Idzi Krasinski from Warsaw's Kasprzaka Radio Works) confirmed the main points made by the speakers of the shortcomings of the economic reform program. Economists from enterprises were, however, decidedly outnumbered at this conference by academics.

Statement: Issued on Reform

Warsaw ZYCIE GOSPODARCZE in Polish No 46, 17 Nov 85 p 5

[Statement on the economic reform issued by the Polish Economic Society at their 14th National Congress]

[Excerpts] The economic reform is being introduced at a particularly difficult time for the Polish national economy. The country's economic situation continues to be a matter of deep concern and induces us to look for ways for its improvement. The present 14th Polish Economic Society [PTE] Congress and various provincial congresses have revealed the full tragic aspect of the situation.

The effects of the economic reform have hitherto been below expectations. This, however, is not only due to extremely complex external factors. A number of impediments and opposition to the reform are evident within the country as is the return to a form of economic management which proved to be both ineffective and burdened with periodic large-scale social conflicts. The significant impetus given to the reform in its first phase is now weakening. Meanwhile, the country's socioeconomic situation demands a trenchant policy to quickly realize reform in the coming years.

The delegates attending the 14th PTE National Congress consider it their civic and professional duty to call attention of both the government and the public to the various restraints preventing progress irrespective of their causes. They noted with particular concern instances in which various centralized and local administrative cells, vested with the legal power to realize the reform, evaded or bypassed legislative principles and showed signs of inertia and ignorance. The PTE repeatedly raised questions concerning such instances of activity incompatible with reforms as: limiting the powers of workers and regional unions which are, after all, fundamental elements of social integration; reorganizing the system of administration--particularly renewed centralization--with little regard for economic efficiency; maintaining an elastic subsidization and fiscal policy which undermines the principles of rigid financing on the one hand and hinders the effective development of productive

units on the other. Too often we find instances when administrative efficacy is denied by the bureaucracy, when excessive administrative regulations obstruct one of the canons of the reform--exacting efficiency through economic means, when innovation and flexibility are suppressed through pressure from local administrative decrees created virtually as an extension of the law. In realizing the reform, we cannot allow for its social context to decay on behalf of technocratic solutions. We have clearly maintained from the very beginning that one of the key elements of the reform is a commitment to bring about changes in the function, method, structure, course and style of activity employed by central organs in administering the economy. We feel that in order to deal with all these issues, it will be necessary to consult and consider the opinions held by the community of economists.

Negative resolutions harmful to the progress of the economic reform also contribute to ignorance of the goals and guiding principles of the reform and produce passivity or privately motivated abstinence among the administrative cadre at all levels of government. This criticism is directed at us as well for many PTE members belong to this cadre. Therefore, we must be more energetic and effective in improving the professional activity of the PTE cadre in order for the Society to invariably become an organization which uncompromisingly conducts the reform by developing and defending its achievements. The PTE, being both a professional and scientific society, should continue to contribute to the development of theoretical principles of economic reform as well as putting the effective features of the reform into active practice. At the same time, the Society expects a fully developed economic program from the country's leaders in the coming years.

L3090/12859

CSO: 2600/194

ECONOMY

POLAND

BRIEFS

CANNED FISH FROM USSR--In the port of Gdynia on 4 December unloading began of 1,300 tons of canned fish delivered by Soviet ships, including 4,000,000 cans of sardines with tomatoes in oil. Since early September of this year, under an agreement concluded by Rybex with our Soviet partner, 9 ships have already called at the port of Gdynia. [Text] [Warsaw RZECZPOSPOLITA in Polish 5 Dec 85 p 1] 9970/12859

GASOLINE PRICES UP--Starting 1 December 1985 prices will increase for gasoline and motor oil. The new price of one liter of ethylene 94 is 60.00 zlotys, of ethylene 78--52.00 zl., and of motor oil--42.00 zl. The increase in the price of liquid fuels is primarily due to the need to encourage economical use thereof by all vehicle users. As is known, in recent years there has been an annual increase of 400,000 cars and trucks, while liquid fuel deliveries have not been increasing due to limited funds for importing crude oil. Under these conditions, regardless of the application of liquid fuel regulations, it is also necessary to influence demand through the level of prices. The price was set after hearing the opinion of the All-Polish Association of Trade Unions, which did not agree to the proposal originally made by the government of a 25 percent increase. [Text] [Warsaw RZECZPOSPOLITA in Polish 2 Dec 85 p 1] 9970/12859

HIGHWAY REPAIR WORK COMPLETED--With President of the Council of Ministers Professor Zbigniew Messner, Vicechairman of the Council of State Kazimierz Barcikowski and Chairman of the Planning Commission of the Council of Minister Vice Premier Manfred Gorywoda participating, on 3 December a rebuilt section of international route E-16 linking Sosnowiec and Katowice was inaugurated. Thanks to this modernization, begun in 1978, this section of the highway now meets the same standards as urban expressways. Three lanes in each direction, wide shoulders and on- and off-ramps at road junctions ensure a smooth and safe ride. This project, which cost 10.2 billion zlotys, has reduced travel time by two-thirds. [Text] [Warsaw RZECZPOSPOLITA in Polish 4 Dec 85 p 1] 9970/12859

MICROELECTRONIC SWITCHING STATION--In Czestochowa a modern switching station has been inaugurated. The BUSZ Hz electronic system is equipped with an Intel-80 microprocessor and controls the feeding of electric traction and additional energy devices. The project was carried out by the Central Railroad Technology Research and Development Center, and documentation was done by the Kolprojekt Central Design and Research Office in Warsaw. The new switching station will save the government 39 million zlotys per annum. All modernization work prior to installation was done by the state system. [Text] [Warsaw ZYCIE WARSZAWY in Polish 3 Dec 85 p 3] 9970/12859

POWER PLANT MODERNIZATION--Intensive work is continuing on the rebuilding and modernization of the 500 megawatt block generator at the Kozienica [?] power plant. The teams of Energomontaz, Beton-Stal, Elektrobudowa, Energoaparatura, Termokor and the Association for Erection Work [ZRE], in addition to the personnel of the power plant, are doing everything to ensure the synchronization of the generator by the end of this year, to add more badly needed energy to the national grid. However, everything depends on delivery of parts from the USSR and Polish enterprises. Photograph shows installation of a 500 megawatt turbine. [Text] [Warsaw RZECZPOSPOLITA in Polish 3 Dec 85 p 3] 9970/12859

POLONIA FIRMS BOUND BY CIVIL CODE--More and more often it seems that Polonia firms are becoming partners of units of the public sector of the economy. But what rules regulate the nonfulfilment by these firms of their obligations to public sector units or their misfulfilment? The rules of Council of Ministers Resolution 207 of 27 September 1982, known in all enterprises, (Mon. Pol. no. 26, item 235; 1984, no. 1, item 2, and no. 29, item 200), are, of course, inapplicable here. The Civil Code does provide for lawsuits as a result of improper fulfilment of commitments. Thus the agreement must contain a reservation about the possibility of penalty. If the public sector unit has not done so, and has suffered damage, it may receive indemnity on a common basis. It must prove to the court that it has suffered damage, that the damage is the partner's, i.e. the Polonia firm's, fault, and that it resulted from improper fulfilment or nonfulfilment of an obligation. This is dealt with in Art. 471 ff. of the Civil Code. [Text] [Warsaw RZECZPOSPOLITA in Polish 4 Dec 85 p 6] 9970/12859

PRICE HIKES REPORTED--At the end of December 1985, cigarette prices rose by about 20 percent and the price of matches rose 100 percent. Beginning in January, radio-television charges increased by 50 percent, water-sewage services rose by about 40 percent and trash pickup went from .10 zlotys per square meter of apartment area to a 2-zloty rental for residential accommodations, in the so-called third stage of increases. Beginning with 1 January, the price of domestic automobiles likewise rose by 10 percent (the so-called subsidy for the automotive modernization fund), as did the price of foreign automobiles, which was reported on 7 January. [Text] [Warsaw PRZEGLAD KATOLICKI in Polish No 3, 19 Jan 86 p 4] 8536

CSO: 2600/251

POLITICS

CZECHOSLOVAKIA

UNITED STATES ACCUSED OF 'GLOBAL TERRORISM'

Prague RUDE PRAVO in Czech 23 Jan 86 p 6

[Article by Frantisek Vychodil: "Politics of Global Terrorism"]

[Excerpts] The world is enraged by the practice of the United States which arbitrarily reserves for itself a "right" to launch punishing acts against individual countries and nations because of their unwillingness to live in accordance with Washington's ideas. Such an interventionist policy is a recidivism of imperialist thinking which rejects, through the use of force, the right of nations to decide independently and choose their own path of development.

"Undeclared war" against the nations of the liberated countries is not limited only to the subversion and, in the end, overthrow of progressive regimes. The United States has assumed the role of a self-appointed inquisitor to such an extent that it has even identified a certain "terrorist association" so far comprising five different countries ranging from Latin America to the Far East. In addition, the United States has taken upon itself the right of reprisal against any country on its black list because of help to the "terrorists." Libya obviously is one of the first of these countries. The perverse logic of the United States works in the following way: If a country legally extends aid to nations which have opted for freedom, the United States considers such action as "terrorism" and "aggression." On the other hand, coups carried out in the interest of the United States are quickly dubbed as "liberation."

The concept of the struggle against the so-called international terrorism, supplemented by an increased willingness of the U.S. administration and Congress to intervene in regional conflicts in the entire world, is called more and more often the Reagan Doctrine. It was J. Kirkpatrick, the former U.S. permanent representative to the UN and the passionate advocate of President Reagan, who gave this policy the name Reagan Doctrine. The origin of this doctrine goes back to last year's State of the Union message in which R. Reagan declared that the United States will act as a defender of the "free world" and made it quite clear that he was resolved to implement this self-appointed role vis-a-vis those countries and governments which are not ready to surrender unconditionally to American pressure. He also asked for an increase in aid to the "freedom fighters" and identified as such the counterrevolutionary bands in Nicaragua, Afghanistan, and other places.

Overall, Reagan Doctrine can be summarized as follows:

--open interventionism in the internal affairs of developing countries has now become a national policy;

--ideologization of foreign policy with the aim of starting a counter-offensive by misusing slogans such as democracy, freedom, and antiterrorist struggle;

--justification of intervention and of direct involvement by pointing to "international communism" which is allegedly being helped by the forces of the national liberation movement;

--open attempts to overthrow legal government with the help of allies such as the racist regime of the Republic of South Africa or Israel;

--confirmation of the right to grant assistance to various terrorist organizations that are conducting subversive activity against legal governments unacceptable to the White House;

--unification of all subversive counterrevolutionary forces on an anti-communist platform for a struggle against all those who disagree with U.S. policies in the developing world.

The source of conflicts in the developing world is the attempt of imperialism to change or "arrest" the march of history and, using all available means, to achieve its own goals. Hence, many regional conflicts in Asia, Africa and Latin America appear in the guise of the "export counterrevolution." One of its forms is the effort to prevent the normalization of domestic situations and the internationalization of domestic conflicts. Especially against progressive countries, imperialism uses the remnants of the propertied classes deprived of power, their oppressive apparatus, enemies of the revolutionary regimes, and often also disoriented exiles to instigate resistance, finance training, arm and direct the management of the subversive and violent activity of counterrevolutionary groups.

Such conflicts fulfill their historical role as the first front line in the struggle against imperialism on a global scale. The forces of international reaction try to use these conflicts to make up for its defeats, to take over lost initiative, and to start a counter-attack.

At the U.S. State Department an office was established to grant "humanitarian aid" to Nicaragua. It is considered a representation of the Nicaraguan counterrevolutionaries in the United States. Such a transparent tactic is to offer a semblance of "significant political force" to the counter-revolutionaries, not only in Nicaragua but also in other countries, and to give them a certain status in international law. This is demonstrated by a desperate attempt of the Nicaraguan "contras" to "institutionalize" their position by presenting a formal request to the United States to support their quest for observer status in the United Nations.

In addition to the establishment of the Rapid Deployment Force of 300,000 men the Special Operations Force within the U.S. Armed Forces has been augmented. These are elite units specially trained for partisan warfare, urban combat, covert and antiterrorist operations. Deputy Assistant Secretary of Defense S. Koch who is supervising these units states that these are the "most frequently used units in our existing Armed Forces." It is reported that their number now exceeds 15,000 men and by 1990 it is to increase to 38,400, including reservists. In the past 3 years expenditures for these units have trebled. They amount to approximately \$600 million in fiscal 1986. At the same time, the Pentagon is not obliged to inform Congress about the detailed activity of these units. These forces are basically divided into six groups and consist of the so-called Green Berets, Rangers, Psychological Operations, a unit working among civilians, the Delta Force, and Task Force 160. Their vainglorious motto which reads "Anything, Anytime, Wherever, and However" threatens the developing countries by its ghastly reality.

There is no doubt that this subversive Pentagon activity, whose certain dangerous aspects are not yet fully appreciated in the developing countries, seriously increases the danger of aggression, intervention and other forms of interference and the instigation of conflicts. The London SOUTH magazine adds that so many calls for interventions by the CIA and such willingness in Langley to meet them did not occur even during the 1950's when A. Dulles dearly loved organizing coups, or at the beginning of the 1960's when the Kennedy administration subscribed to the so-called counterinsurgency theory. Since the start of the Reagan Administration, the CIS's covert operations have become full-scale wars. According to the information in this magazine the CIA conducts or supports 7 regional wars--in Afghanistan, Nicaragua, Kampuchea, Lebanon, Angola, Western Sahara, and Chad; in addition to that it backs 5 counterinsurgency campaigns--in El Salvador, Sudan, Somalia, Sri Lanka, and the Philippines; and at least 10 destabilization programs--against Cuba, Vietnam, Laos, Ethiopia, Mozambique, Libya, Syria, Iran, Greece, and Poland.

The imperialist ambitions of the United States increasingly often face growing opposition and clash with the real interests of individual countries. Hence, the Reagan Administration is looking for a way to influence the situation and adapt it to its plans.

The concept of the "new globalism" in foreign policy is to be one of such new methods with the help of which the American government would change the surrounding world to its liking. This policy is based on asserting the right to intervene on a global scale in the affairs of sovereign countries, conduct undeclared wars, covert and overt subversive operations, and implement a policy of state terrorism. Another aspect of this policy is aggressive anti-Sovietism and a desperate search for ways to achieve military superiority over the USSR.

The summit meeting between the leaders of the USSR and the USA has also created favorable prerequisites for a constructive dialogue concerning regional problems. The Soviet side at Geneva clearly declared that there is a need for a new policy in matters concerning conflict and that the United States must give up its exaggerated notions of its spheres of influence and respect the national interests of all countries. The Soviet side emphasized

the readiness of the USSR to cooperate constructively with all countries, including the United States, in working out just and honest political solutions of existing regional problems. Progress in this direction, together with all interested countries without exception should in the view of the socialist countries make it possible to improve the international situation and remove the obstacles of the road to permanent peace.

1277/12913

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POLITICS

GERMAN DEMOCRATIC REPUBLIC

CASE STUDY OF MFS INDUSTRIAL ESPIONAGE TACTICS

Hamburg DER SPIEGEL in German Vol 40 No 7, 10 Feb 86 pp 94-95, 98, 100, 102-103)

[Article: "'It Makes Me Feel Like a Whore'--How the GDR sets Up West German Agents For Industrial Espionage"]

[Text] On Friday, 22 May 1981, there was no mail for Krayerstrasse 51 in Essen. Still, there was a letter in the box belonging to Michael vom Orde, 40, mechanical engineer and freelance commercial artist. The envelope had been neither stamped nor cancelled. The recipient was asked by a Herr Riedel to go to East Berlin for a "business conference:" "Meet me in the lobby of the Hotel Berolina at 1600 hours."

On the appointed date, 3 weeks later, vom Orde took a plane to Berlin and arrived an hour late--Riedel had gone.

Two weeks later the man from East Berlin got in touch again. Again an unseen messenger had delivered the letter, which this time contained an East Berlin telephone number. Vom Orde called the number, and Rolf Riedel answered. The two met in East Berlin on 15 July 1981.

The man who appeared in the Restaurant Bukarest in the Frankfurter Allee was well dressed, in his middle thirties, had dark brown hair and introduced himself as an engineering instructor at East Berlin University. The two men drove to a park in a gray Lada; during their talk, the West German had the feeling "that Riedel knew a few things about him."

The GDR partner knew for instance that vom Orde was doing business with such blue-chip industrial concerns as Krupp, Veba, or RWE (Rheinisch-Westfaelisches Elektrizitaetswerk). He had produced brochures, drawings and operating instructions for them.

Riedel asked casually whether "some technical advertising materials might be produced for inner-German trade purposes."

For a second meeting 2 weeks hence, the man from East Berlin requested a resume describing vom Orde's field of expertise, advanced him the travel expenses for the next meeting and said goodbye.

The Essen engineer's inner-German border crossing had its origins at Easter 1981. At that time he had driven his car to East Berlin on private business and attracted the GDR border guards' attention at the Heinrich-Heine-Strasse checkpoint. During a routine check of his car trunk, they found drawings of a Krupp gas tank, which the draftsman had neglected to remove.

The border guards detained the traveler and his 13-year old son in separate rooms for 4 hours. During that time, a GDR expert had been brought in to evaluate the drawings and to record the owner's personal data. The absent-minded carrier of secrets was frightened: if his West German clients found out that he had traveled to the East with important documents, he would be finished.

But the official calmed him down in a "strangely cordial" manner and indicated that "they would talk about it some other time."

The promise was kept. The unstamped letter of May 1981 constituted the start of a very special spying career. During a period of almost 5 years the East Berlin Ministry for State Security (MFS) carefully cultivated its new employee, who was plagued by private and business debts. A key role was intended for engineer vom Orde in industrial espionage, for which the head of the intelligence department, Markus ("Misha") Wolf uses one half of his spy network, according to Western security authorities.

Normally, the MFS (colloquially in the GDR 25 the "Look, Listen and Grab People's Enterprise") procures its industrial information from the FRG through hundreds of individually operating lookouts--a laborious enterprise. But now the MFS wants to try a hitherto unknown procurement method: East Berlin's Misha is having businesses established in the West. Planned for Essen: a management consulting and engineering firm which was to acquire important material in wholesale lots. Selected to be its manager: Michael vom Orde.

According to the latest report by the Office for the Protection of the Constitution, the MFS agents are primarily interested in firms specializing in microelectronics and data processing, chemistry and petrochemistry; also aerospace and nuclear technology. Firms of that nature, such as Interatom, Schnell-Brueter-Kernkraftwerksgesellschaft [Fast Breeder Nuclear Powerplant Corp], Brown Boveri Reactor or Babcock, had been clients of vom Orde's for many years.

His industrial and promotional design studio habitually received exact data on machines and tools, computers and reactors. Aside from diagrams, instructions for assembly and brochures, the designer also made perspective and exploded view drawings to serve as comprehensive renderings of complicated components.

The MFS gave the planned engineering office clear instructions: emphasis for information gathering to be on factories and nuclear powerplant construction. Particularly in the technology of electronic operation of atomic piles and safety technology the GDR considers the West German economy to be a world leader.

Office manager-to-be vom Orde had to learn about the spy business from scratch. He was told to reduce his contacts with friends and acquaintances and was given certain rules of conduct: his frequent trips to Berlin (about 150 in 5 years) he justified as visits to relatives in West Berlin; if asked about his excursions to East Berlin, they served the purpose of seeing a Bulgarian girlfriend. The woman, whom the spy never actually met, is real; the MFS gave vom Orde her address in case of need.

The MFS even prescribed the type of clothing vom Orde was to wear in East Berlin: jeans and shabby clothes so as to blend in with the rest of the population. Since airline passengers's identities are recorded, he was to take the train whenever possible.

On some occasions his contacts smoothed his way at the Friedrichstrasse railroad station through the exit reserved for diplomats; at other times they let him stand in line with the ordinary people. Measures necessary for an uncomplicated exit were taken during his entry: a special square rubber stamp on his one-day entry visa alerted the GDR border guards to the special status of the spy.

Appointments other than the periodic ones were communicated to him through his Essen mailbox. If he himself was unable to go, he was to call the East Berlin telephone number 00372/372 37 04. These calls were answered by someone named "Otto" who would give him an appointment for another day--a coded date, of course: such meetings would take place 7 days earlier than agreed to verbally on the telephone.

As the relationship became closer, Michael vom Orde received the code name "Alfred." An apartment in East Berlin-Pankow, Zillertalstrasse 51, was frequently used for meetings.

His itinerary to the meeting place was closely described to "Alfred;" he was to study the show window of a toy store for 5 minutes each time before approaching. If the lefthand window curtain in the mezzanine of his destination was open, this meant: "All clear, ring Frau Eule's doorbell."

Rolf Riedel remained "Alfred's" contact for almost 2 years, until the end of 1982. On one occasion, "Alfred" and the hard-drinking MFS man (according to vom Orde: "He always had to have the very best") blew 800 marks in one evening at East Berlin's Palast Hotel.

Riedel even asked the spy "Alfred" to bring him the hit cassette "Special Train to Pankow" by Hamburg rock star Udo Lindenberg, which is officially proscribed in the GDR. The song makes fun of SED chief Erich Honecker: "Loosen up, Honey--I know that deep down in your heart you're a rocker too." "Alfred" brought the cassette.

On 7 January 1983 the cozy relationship between the happy drinkers came to an end. Riedel's boss, an MFS official named Neumann, provided the West German with a new contact: Herr Winkler--friendly, but considerably more distant.

Neumann and Winkler made improvements in "Alfred's" conspiratorial accomplishments, such as his small talk while under the influence of alcohol. After a number of brandies, they would ask him trick questions; but their pupil remained remarkably alert. Says von Orde: "It took a bottle and a half of rum until I messed up once."

However, his hosts occasionally showed some effects too and gave the show away. One time Winkler suddenly addressed his boss Neumann as "colonel;" the latter straightened him out with an icy stare. Frequently the tone of the conversation became nasty and the meeting with Winkler and Neumann would turn into an interrogation.

About this time the MFS people increased their demands. While in the early days the requesters had asked for such harmless material as university lecture schedules, a catalog of the Hanover trade fair or publications from the series by the Rhineland-Westphalian Association for Technical Inspection, they now demanded primarily internal communications.

On one occasion, they handed von Orde the 1982-1984 research report of Hanover University; with a red marker they had underlined all institutions whose publications were of particular interest to them. They had particularly chosen papers which had immediate industrial applicability, e.g., on "materials fabrication with lasers," "dynamic aspects of heat pump circulation," or "possible filler additives in polyethylene."

Early last year the MFS came up with an even more ambitious wish list. In the "progress report" of the Reactor Safety Association, which has very limited distribution in the West, the MFS lookouts had marked all the items von Orde was to acquire.

This report contains a list of the most important Western atomic pile research projects on such subjects as "External impacts," "emergency core cooling," "core meltdown." Von Orde carried these, mostly classified, papers across the border by the sackful; there they were copied or photographed. Then he would take the originals back to the West.

From another request, von Orde gained an insight into the underdeveloped status of data processing in the GDR. Because there was no way of finding a reading head for 8-inch diskettes in East Berlin, he transferred a paper on "static-dynamic computation systems" for foundation structures of nuclear power plants to IBM magnetic cards, which have long been obsolete in the West. Printouts were then made from the cards in the East.

The most difficult achievement for the spy came about in April 1985, when he carried a suitcase to East Berlin, containing a newly developed item from the West German reactor constructor Kraftwerk Union (KWU) and Brown, Boveri & Cie (BBC): the electronic control system for a grinding machine, weighing 65 kilos. This device permits complete wireless seam polishing of pipe interiors for the first time. Says von Orde: "Man, what a load."

This event demonstrates the ease with which highly classified equipment can be taken out of the West. Vom Orde told the engineers that he had taken the device apart so as to be able to make drawings of its components per his contract. Whereupon a KWU employee gave him permission not to return the instrument: "Just throw it away."

To keep their man on his toes, his GDR employers put him under intense pressure. They dissuaded "Alfred" from any hopes he might harbor that in case he got caught by Western authorities he could count on gentle treatment. Nor was there any question of a spy exchange: "We don't do this for suitcase carriers."

Back home in Essen the agent frequently felt "lousy." He had various inklings that here too he was being watched by his bosses. When he came home at night, he "often felt that during my absence somebody had rummaged around in my pad."

The people from East Berlin had a firm hold on their spy in other ways too. They made excellent use of his financial difficulties--business debts and heavy expenses connected with his divorce. Even though the mass of his GDR obligations hardly enabled him to take care of his normal work, his Eastern bosses kept him just slightly above a minimum subsistence level.

They reimbursed him for his expenses and paid him just DM 1,300 per month for rent, utilities and food. Vom Orde was put off several times when he asked to "finally see some real dough."

Supplementary payments were the exception. On his birthday, the spy masters handed over DM 1,000 one time, DM 2,000 another: for the bulky KIM electronics they coughed up DM 3,000. To keep "Alfred" in a good mood, they let him travel around a bit: a few days in Mallorca, a few days in Ibiza.

Vom Orde seemed downright pleased when the MFS sent him to Cuba in September 1984: "Two weeks in Cuba--I couldn't have afforded this until after I'd retired."

However, Winkler and Neumann were not thinking in terms of a Caribbean romp when they proposed the trip to their man at a meeting in the Zillertalstrasse. They offered him not only a vacation, but also technical training and ordered him to buy equipment for photographing documents. In compliance with his instructions, vom Orde spent DM 906.90 on West Berlin's Kurfuerstendamm for a Bauer 307 XL Super 8 mm movie camera with single-frame release, plus accessories.

"Alfred," disguised as a TUI charter package tourist, received an appropriate welcome at the resort of Varadero near Havana on 2 September 1985. With his key at the Hotel Atabey he was given a welcome note from his island mentor, written on Cuban Ministry of Industry stationery. He met him in person the following day: Miguel Lopez, a "Cuban" from the GDR, who spoke with a Saxonian accent.

Lopez offered him an opulent vacation program: deep sea fishing, excursions into the mountains, flights to Colombia and Panama, swimming in the Bay of

Pigs, with a view of the Ernst-Thaelmann Island on the horizon. In no time at all he had acquired a Cuban girlfriend, a pretty engineer named Maria, who had studied ceramics manufacture in Jena. However, the hosts were conscientious in pursuing the training course for which the trip had been made. In training sessions Lopez drilled the West German in camera technique. Von Orde learned how to shoot 2,500 individual frames on a single roll of super-8mm film.

However, girlfriend Maria soon became unavailable; Lopez had seen to that. Said von Orde: "The guys in East Berlin wanted no part of girlfriends either. One time I dropped a careful hint about this to them. But they were really Prussian about it."

The East Germans spent 6,000 marks on their protégé's trip to Cuba. After the first trip, von Orde was permitted two more Caribbean excursions, in March and November of last year.

The charter organizer honored his faithful client with the "Golden Globe" award for having flown 50,000 km with TUI.

On the final trip Von Orde finally realized why his normally stingy bosses had suddenly turned generous. On his arrival at the Hotel Internacional he saw a new face this time: "Gonzo," a power plant engineer from the GDR going by the name of "Gonzalez."

The East Berliners had already hinted several months earlier that "Alfred's" spy career was about to undergo a drastic change. Now "Gonzo" gave him his next assignment at a meeting in a house located at 2003 Avenida 2^a in Varadero: von Orde was to meet the man with whose help the MFS planned to have total access to West German plant construction plans from 1986 on.

The next day, three men bounced into the interior of the island in a battered Chevrolet and stopped at a sisal farm. The third man was a civil engineer, about 45 years old, who introduced himself as "Maximilian Koenig" from Canada.

The Canadian, who spoke flawless German, involved von Orde in technical shop talk and asked him searching questions about his training, areas of specialization and his relationships with firms located in the Ruhr area. Says von Orde: "I had the feeling that he was satisfied with my answers." At the end of the meeting Koenig indicated that they would soon meet in East Berlin, handed von Orde \$400 and disappeared.

Subsequently von Orde learned from his GDR spy masters that Koenig was operating an engineering business near Toronto, with close business ties in the United States. Also, that the Canadian engineer still had dual citizenship, the other being that of the GDR. That he was employed by the MFS and that he had been a "sleeper" since he had immigrated in the early 1950s--an agent on standby. As von Orde puts it: "He must be an old hand in this business."

At the end of last year vom Orde was ordered to go to East Berlin for a meeting with Koenig. The latter was unavoidably absent, but Winkler and Neumann told their "Alfred:" "Things are going fine."

The "things" turned out to be that Koenig was to establish for the MFS and engineering office in Essen, for the exclusive purpose of spying on West German businesses.

Ground floor office space measuring 150 to 200 square meters was looked for to accommodate five or six employees. A local attorney was to arrange for incorporating the business in the name of Maximilian Koenig. Vom Orde was ordered to calculate the cost of establishing the firm, "from the computer down to the last pencil." For starters, the East Berliners figured the cost at about 100,000 marks.

It would be a sound investment: as vom Orde knew from his own experience, management consultants to heavy industry get their hands on a lot of interesting material. From the documents furnished by their clients, they produce manuals, training material and operating instructions: "We get all the details and all we have to do is make copies."

The Eastern spies expected to get even deeper insights from the Koenig firm's work as an engineering firm. In the construction of major plants, consulting firms of that kind are given work contracts containing precise details.

Agreement had already been reached on how to get started. The Koenig office was to place help-wanted ads in the WESTDEUTSCHE ALLGEMEINE ZEITUNG three times within one week in January--Saturday, Wednesday and Saturday. Vom Orde was to respond routinely to the ad and would be hired as manager with a gross monthly salary of DM 3,000.

But nothing came of this--"Alfred" bailed out. In addition to his bad conscience ("Somehow you can't help knowing from the very beginning that there is something wrong with what you are doing") there was the constant worry that his mentors would drop him as soon as he could no longer produce the things they wanted. Finally, the spy was terrified at the thought that the West would catch on to him.

Thus vom Orde did not dare until the very end to deliver his piece de resistance: a roughly 500-page operating diagram of the Muehlheim-Kaerlich nuclear power-plant. Vom Orde kept the volume hidden, even though the GDR had offered him a 20,000 mark bonus for it.

During the last 5 years vom Orde had repeatedly tried to tell his story to the FRG security authorities. But his tentative overtures ended up dissapointing. When on 7 July 1982, having worked for the GDR for one year, he made an anonymous phone call to the FRG intelligence service office in Pullach and described his case, the espionage duty officer referred him to the local police precinct. One year later, on 29 July 1983, vom Orde made another anonymous attempt, this time with the FRG Office for the Protection of the Constitution in Cologne--with the same result. Wrote vom Orde in his diary: "What a lot of crap."

It took two more phone calls to motivate the protectors of the constitution to establish contact. Von Orde was given a telephone number which put him in touch with Department VI of the Dusseldorf Ministry of the Interior, the North Rhine-Westphalia province office for the Protection of the Constitution. He talked to someone who wouldn't give his name but who proposed a meeting on 4 September in Dortmund at the Cafe Moll. He was told that a certain Herr Goertz would be sitting at a corner table, with a copy of DER SPIEGEL on the table in front of him.

Von Orde's expectation of being able to extricate himself from his predicament with the help of the protectors of the constitution came to naught. Goertz listened to his spy story and promised to be in touch within a few days. The result was not what von Orde had had in mind. Goertz proposed to the GDR agent that he continue his MFS work for the time being and that he provide a running account of it to the Protection people. Code name: "Christoph." Salary: DM 300 per interview.

However, the newly hatched double agent soon realized that his West German partners didn't consider his case as important as he had hoped they would. His contact people among the protectors of the constitution, he soon realized, were not exactly elite troops.

Goertz, for instance, committed a gaffe on the telephone which in the spy business can have lethal consequences: he called von Orde by his real name. Some other activities had all the earmarks of a Kristine Voss comedy.

The office had ordered "Christoph" to appear at high noon on a Monday in January at the Fuhrmann Restaurant in Essen-Steele, next to the last table, left rear. Looking in from a distance, the Orde watched constitution agent Reuter, his present contact man, desperately rattling the locked front door of the restaurant: Fuhrmann's is closed on Mondays. It would have been an important meeting, too: Reuter had been followed, at a safe distance, by his colleague "Nielsen," who had been slated to become "Christoph's" new contact.

The office did not have much else to offer, either. "Christoph" was made to sign a release statement to the effect that he was not an employee of the protectors of the constitution. But did they want anything at all to do with von Orde's deepest heart's desire: immunity from prosecution for "Alfred's" past MFS career, they said, was not their to provide.

Now von Orde really felt caught between a rock and a hard place. "It makes me feel like a whore," he says, realizing that "the guys over there are using me exactly like the guys over there," and "I'm the one who takes all the chances."

At the risk of "having to die sitting" in the future, von Orde has left the country: "I'd rather live on my marks and have the cops that come at them can get to me and more."

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POLITICS

POLAND

SEJM INTERNAL AFFAIRS COMMITTEE REVIEWS POLICIES

Warsaw RZECZPOSPOLITA in Polish 29 Jan 86 p 2

[Report on hearing held by the Sejm Commission on the Administration, Internal Affairs, and Administration of Justice: "The Main Direction of the Activities of the Internal Affairs Ministry"; passages in boldface enclosed in slant lines]

[Text] /On 28 January 1986 the Commission on the Administration, Internal Affairs, and the Administration of Justice reviewed the major activities of the internal affairs officials for the second time. This time they paid particular attention to crime prevention and social pathology. Deputy Jozef Barecki presided./

Zbigniew Pudysz, vice minister for internal affairs, presented information on state security and public order. During the past year significant changes have taken place in criminal offenses. As a result of the energetic activities of the ministry and the efforts of the Committee of the Council of Ministers on Respect for the Law, Public Order, and Social Discipline criminal offenses decreased, their structure changed, and unfavorable tendencies slowed. During the past year about 407,000 investigations were begun, about 3 percent less than in 1984. A decrease in crime was noted in the categories of theft, robbery, rapes, and assaults. In 47 voivodships the rate of detection improved. Nationally, it rose 4 percent to 78 percent. Despite the limitation of crime, losses due to crime rose 2 billion zloty (to 23 billion zloty). Economic crime stayed at almost the same level. Last year 67,000 investigations of this type were begun. In the ministry's opinion the passing of the law on particular criminal responsibility and some changes in the criminal code and misdemeanors code at mid-year led to the more effective prevention. These legislative decisions made possible quicker reactions and more effective conduct of criminal investigations.

/Alcohol is still the most common factor associated with crime. Every fourth offense is committed under the influence of alcohol, and in some categories more than 80 percent of the people committing the crimes were not sober./ A very damaging and frequent occurrence is drinking at work. Last year there was a slight improvement, and 22 percent of the crimes were committed by the unemployed and non-students; 10 percent were minors. In the records of the militia, there are 15,000 drug addicts. Every fourth one committed a crime last year.

During the current year the internal affairs offices face important tasks. Among them is state security, including western spy networks and special services threatening the Polish raison d'etat and public peace. The militia will devote more attention to the protection of the national economy against waste, inefficiency, speculation, theft of property, and bribery. The ministry's aim is to raise further the detection rate of criminal offenses, especially unlawful entry into social and private buildings.

/Deputies expressed approval of the ministry's activities during the last year and of the main plans for this year./ During the discussion they mentioned many problems of state security, social peace, and militia and security service working conditions. They drew attention especially to the social pathology which citizens had raised in their meetings with the deputies. This applies to the frequent violations of the law on rearing children in sobriety and combatting alcoholism, which is most visible at work. Society generally believes that too little attention is attached to combatting drunkenness in enterprises, which is one way to increase productivity, improve safety, and raise wages.

/The deputies were disturbed by the continuing high level of criminal threats to minors. The deputies felt this was, among other things, caused by the courts' unwillingness to deprive parents of their parental rights, even those at the margins of society. They also directed the attention of the representatives of the Ministry of Internal Affairs to the dishonesty of train conductors who pocket payment for tickets collected on the trains./

In the opinion of the commission members, the creation of a social front to combat evil, to promote moral renewal, and ethics at work and home is a major issue. This is an area for civic and youth organizations, factories, mass communication, and every citizen. Respect for the law, service to the law are not the exclusive domain of the authorities; they are for every citizen.

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POLITICS

POLAND

KROSNO PZPR HOLDS PLENUM ON SOCIOECONOMIC TASKS

Warsaw TRYBUNA LUDU in Polish 29 Jan 86 p 2

[Text] In the party evaluation of the annual voivodship plan and directions of development through 1990 presented at the voivodship committee meeting in Krosno on 28 January 1986, the consciousness of needs and the conditions accompanying the accomplishment of the socioeconomic tasks showed through.

The meeting did not register desires but sought and indicated solutions that should lead to improved living conditions for the people in the region and to increased production.

The positive results of the last three years in the Subcarpathian region have not resolved all the problems. Although the housing plan has been fulfilled, as Antoni Kedra of the Oil Drillers in Grabownica, the construction rate, preparation of the sites, and municipal investments must be accelerated. Adolf Marczak (first secretary of the Krosno City Committee), Jan Krzyzowski (Ustianowa Lumber Plant in Ustrzyki Dolne), Marian Pepera (Gamrat in Jasielski), and Michal Leszczynski (Stomil Sanok) pointed to enterprises' participation in the construction of housing, sewage treatment plants, heat generation plants, and other investments, that also serve city inhabitants.

Among the most pressing problems, besides housing, are agriculture and food supplies, basic educational needs, and health-service infrastructure.

Much of the discussion was devoted to efficiency, innovation, and technological improvement; work in these areas was judged the foundation for achieving better results under the new plan. The party organizations should initiate action in these areas, for as Jan Jozefczyk of the Krosno Transportation Equipment Plant noted the people's standard of living depends on them.

The party organizations, the resolution emphasized, should influence the workers' and managements' attitudes and pattern of thinking to awaken their entrepreneurship, innovativeness, and efficiency.

Henryk Wojtal, first secretary of the voivodship committee, presided.

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POLITICS

POLAND

KATOWICE PZPR HOLDS PLENUM ON LOCAL ECONOMY

Warsaw TRYBUNA LUDU in Polish 29 Jan 86 p 2

[Article by Marian Ryglewicz: "Katowice: How to Support the Completion of the Economic Tasks"; passages printed in boldface enclosed in slant lines]

[Text] The meeting of the PZPR Katowice Committee on 28 January 1986 discussed the party organizations tasks in fulfilling the socioeconomic plan for 1986.

/The level of coal output is supposed to remain stable, and mill production is to increase slightly. The weight of the plan thus rests on the processing industries/, which are to develop more than the rest of the country.

The actions of the voivodship party organizations will concentrate on a broadly conceived economic efficiency, economy, and technological improvement, especially innovation.

/Failure in these tasks is often explained by objective factors, pardoning obvious errors. The party statutes are ignored, which permit action in cases of incompetence, failure, and irresponsibility,/ as Stefan Mozgol (first secretary of the factory committee at the Pstrowski Hard Coal Mine in Zabrze) noted. The party must influence the economic solutions more effectively.

He also listed the obligations this party organization has undertaken in preparation for the 10th Congress of the party.

The party organizations must, among other things, it was stated, encourage the enterprise management to review the use of fixed production capital as soon as possible, develop economic understanding among the workers, and enrich the proper forms of training.

Implementation of the economic reform, intensification of the change of industrial structures, maximizing exports, increasing investment productivity, and the development of a social program to save materials, fuels, and energy are the critical tasks.

Vice premier Manfred Gorywoda, chairman of the Planning Commission at the Council of Ministers, spoke about passed year's economic results and the tasks at the beginning of a new 5-year plan.

Bogumil Ferensztajn, first secretary of the Katowice Committee, presided, and the following people also participated in the discussion: Jerzy Romanik (member of the Politburo of the Central Committee), Stanislaw Gebala (minister of labor, wages and social services), Edward Kuczera (assistant director of the Economic Section of the Central Committee), and a large group of trade unionists, and representatives of the self-managements.

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POLITICS

POLAND

TORUN, BYDGOSZCZ AKTIVS BRIEFED ON NEW CPSU PROGRAM

Warsaw TRYBUNA LUDU in Polish 8-9 Feb 86 p 2

[Text] The political activ of Torun and Bydgoszcz voivodships took part in the popular-scientific symposium that took place yesterday in Przysiek near Torun. The subject of the meeting was the new draft of the KPZR program. The symposium was organized through the effort of the Voivodship's Center of Ideological Training in Torun, the Ideological Department of KC PZPR, House of Soviet Science and Culture in Warsaw, and a commission of alumni of Soviet learning centers of the ZG TPPR. A number of lectures served as a background for the discussions that followed. The lectures: Dr Jerzy Kamieniecki: 'Problems of the theory of socialist structure in the light of the new draft of the KPZR program'; Dr Wiczeslaw Bienkowski: 'Stages of the socialist society'; Dr Janusz Wieckowski: 'Improving the process of production and distribution in the light of the conventions' documents'; Dr Witalij Gabielka: 'Problems of improving the mechanism of management in the light of the decisions of KC KPZR', and Dr Wojciech Klimek: 'The directions of the development of socialist democracy and the soviet state'. While discussing one of the three basic documents published prior to the XXVII Congress KPZR, the participants of the session in Przysiek stressed among others the international importance of these proposals. It was emphasized therefore that this was a plan of a struggle for peace and social progress. Realization of this document showing the strategy plan of KPZR will guarantee further qualitative transformation of all areas of social and economic life in the Soviet Union.

Iwan F. Tkaczenko, minister plenipotentiary, consul general of the consulate general of the ZSRR in Gdansk, took part in the session which was chaired by Jozef Szymanski, secretary of the KW PZPR in Torun.

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POLITICS

POLAND

STRONG ECONOMY, IDEOLOGICAL ACTIVISM EQUATED AT KONIN PLENUM

Warsaw TRYBUNA LUDU in Polish 8-9 Feb 86 p 2

[Article by H. Heller]

[Text] The tasks of the voivodship's party organization in the preliminary campaign to the X Congress and the assessment of the realization of the economic plans in the years 1983-1985 were the subject of the debates at the Plenum of the voivodship's committee of the PZPR in Konin, on the seventh of this month.

It was emphasized in the discussions that the character of the tasks facing the whole party at this time demands a substantial increase of the organizational effort and ideological-educational actions of all the disciplined members of the PZPR.

A large part of the plenary discussion was taken up by socioeconomic problems of the region; there was talk about the course of carrying out production plans in the years 1983-85, and there was a designation of the main principles of the tasks for 1986.

In his address, Ryszard Kociszewski from the brown coal mine in Konin said the following: "We are treating our basic economic duties as inseparable from the ideological-political actions. In the conversations held at present with individual members and party candidates a lot of attention is paid to the idea of including in the preliminary discussions to the congress also large numbers of workers--non-party members and technological intelligentsia. Our organization numbers 1256 comrades active in 46 branches of party organizations. This constitutes a substantial moral-political force in the plant, but we shall be able to accomplish our tasks only when all our work force is incorporated in the action."

"In our community Olszowka"--declared Krystyna Czuprynska, a farmer--"we devote our individual party conversations to the internal matters of the party and the ideological-educational tasks of the village, but also to the matters of economic growth of the village and matters of further enrichment of the cultural life of farmers and the improvement of the social conditions of their families."

In connection with opinions from the floor which emphasized the need for activating the party-work in the economic area in the year of the X Party Congress, the representative of the Plant of Mining Industry Installations, Marian Kolecki, described the forms and methods of functioning of the plant's PZPR organization in intensifying the principles of the plan for 1986 and then until 1990. In the Konin HCO positive economic results were realized for the year 1985 and the plans in the sales area for 1986 should be even 11.9 percent higher. At the same time the plant's committee brought forth resolutions aiming mainly at considerable improvement of work organization, especially in reducing the waste of time, cost of materials, energy and fuel.

The Plenum has accepted the motions concerning the work of party organizations for the campaign immediately prior to the congress.

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SOCIOLOGY

CARDIOVASCULAR DISEASE AS CAUSE OF DEATH

Prague HALO SOBOTA in Czech 18 Jan 86 p 10

[Article by Docent MUDr Zbynek Pisa, CSc and Jaroslav Horejsi]

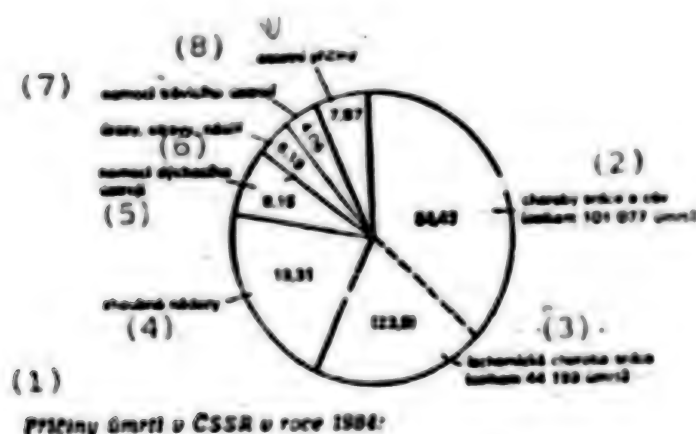
[Excerpt] In recent years, many countries have seen a gradual decline in mortality caused by ischemic heart disease, and perhaps of the disease itself. At the same time, it is interesting to note that in these very countries during the same period (the past 10 years) we have seen a sharp decline of smokers (their number has declined by up to 20 percent), a reduction in the average cholesterol count (by up to 10 percent), and the increased number of effectively treated patients suffering from hypertension (by up to 30 percent). Simultaneously, these countries have seen a sharp reduction in the consumption of animal fats, eggs and fatty milk products and, conversely, an increase in the consumption of vegetables, fruits, vegetable fats and oils, etc. They have also evidenced a growing obsession for exercise. Obesity and smoking are becoming socially unacceptable traits. Physical fitness continues through advanced age and has in some places become something of a fad. Thus it seems that the citizens of these countries started for a variety of reasons to listen willingly to the advice given by physicians, to follow such advice, and now they can reap the results.

Regrettably, we must admit that we are not happy with the fact that Czechoslovakia is among the top 10 countries with the highest number of death caused by various cardiovascular diseases, strokes, and ischemic diseases. Nobody doubts the high quality of our health care system. This system has been positively evaluated even by the World Health Organization. Today, however, so-called secondary care, i.e., care for a patient after suffering a stroke, is not enough. Today, it is not enough to concentrate merely on the high-risk groups of our population, such as, for example, only on people who have a high level of blood fats or high blood pressure, smokers, or obese individuals. It is absolutely necessary to start a program aimed at the general population. We must in principle change undesirable habits in our lifestyle (smoking, overeating, a stressful life) and improve the control or treatment of certain problems (hypertension, increased level of fats in the blood, sugar diabetes) among all our citizens.

These necessary changes, moreover, will require the cooperation not only of each and every one of us but also of responsible officials in the economic,

social, and political fields who can implement the necessary recommendations. These changes cannot be implemented without a large number of measures outside of the framework of our health care system in agricultural production, the food industry, trade, as well as in the service organizations, the leisure time of our young people, a more effective antismoking campaign, and in other ways.

For the aforementioned program we enjoy extraordinarily good conditions, not only in the form of an advanced, uniform, and generally available socialist health care system and several preventive programs carried out in cooperation with the World Health Organization but also in the fact that in the socialist state there is a commonality of interests and needs of each and every individual and the entire society. The threat of cardiovascular diseases is a threat to each and every one of us and the entire society. Hence, the struggle against this threat must also be a struggle by one and all.



Key to chart: (1) causes of death in Czechoslovakia in 1984; (2) cardiovascular diseases (total of 101,077 deaths); (3) ischemic heart diseases (total of 44,199 deaths); (4) malignant tumors; (5) respiratory ailments; (6) accidents, poisoning, violent acts; (7) stomach ailments; (8) other causes

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SOCIOLOGY

CZECHOSLOVAKIA

PAPER REPORTS ON RISE IN TRAFFIC ACCIDENT STATISTICS IN 1985

Prague RUDE PRAVO in Czech 11 Feb 86 p 2

[Text] Prague--In 1985 there were 102,996 traffic accidents on our roads; this represented an increase of 5,640 over 1984. In these accidents, 1,290 people were killed (an increase of 55 over 1984); 5,587 suffered serious injuries; and 25,021 received light injuries. Material damage caused by these accidents amounted to Kcs 495 million, which is Kcs 17.5 million more than in 1984.

In comparison with the preceding years of the 7th Five-Year Plan, 1985 marked a change in the favorable situation and saw an upward trend in the number of accidents and their consequences. As far as the consequences of traffic accidents are concerned, we are among the leading European countries. In respect to accidents caused by pedestrians and especially the number of pedestrians killed, we ranked first in Europe.

Most traffic accidents occurred in the first quarter of 1985. In November there were several days when the number of accidents increased threefold in comparison with the nationwide average. The month of December saw the largest number of persons killed. There are several reasons for this negative increase. Among the major reasons is the low adaptability of drivers to conditions on our highways during deteriorating weather. The largest number of traffic accidents occurred on wet, icy, or snowbound highways. We also witnessed an increased number of traffic accidents caused by professional drivers, especially truck and bus drivers, which stood at 60 percent. There was also an increasing number of accidents caused by cyclists. The number of accidents caused by alcohol, also in the case of cyclists, also increased, we are witnessing gross violations of traffic rules, a decline in traffic courtesy, and a decrease in traffic discipline. The drivers often overestimate their skills, lacking a certain degree of foresight which, naturally, cannot be included in any traffic regulation but still plays an important role. Truck drivers even show increased aggressiveness in their driving habits.

In early 1985 we adopted several measures designed to reduce traffic accidents. Those who violate traffic regulations would be prosecuted more severely. For accidents on highways which are defective or in disrepair, the organizations in charge of such highways will be held coresponsible. Organizations which train truck drivers and which are responsible for the

maintenance of vehicles must show more interest. However, truck drivers and passenger car owners must pay more attention to the maintenance of their vehicles. We will also pay more attention to the training and education of new drivers in the areas of traffic psychology and physical fitness to operate a motor vehicle. After all, the pertinent organs suspended over 80,000 drivers' licenses last year. More attention must be paid to the traffic education of children and adults. Among other measures planned are nationwide, kraj and okres activities to be organized by Public Security authorities aimed at specific aspects, ranging from the technical equipment of vehicles to blood tests for alcohol and ending with the main causes of traffic accidents and the closing of the most dangerous sections of our highways. These actions, involving adult education, will be implemented under the slogan: "Watch for Your Life."

On Monday, the representatives of the Federal Ministry of the Interior and the Federal Coordinating Commission for Highway Safety informed the press of traffic accidents in Czechoslovakia in 1985 and the adoption of measures designed to reduce the number of these accidents.

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SOCIOLOGY

CZECHOSLOVAKIA

DECLINING BIRTH RATE, LOWER MALE LIFE EXPECTANCY

Prague ZEMEDLSKE NOVINY in Czech 18 Feb 86 p 4

[Text] Prague (Czechoslovak News Agency)--The population growth in Czechoslovakia is more favorable than in most economically advanced European countries. On the whole, however, we see the trend of a declining birth rate and this trend will also continue during the years of the 8th Five-Year Plan.

This is related to the declining number of women in the 20 to 25 year-old category. A more significant rise in their number is anticipated in the mid-1990's when a large number of women born in the mid-70's will reach fertility age. In 1984 there were 14.7 births per 1,000 inhabitants in Czechoslovakia. By way of comparison, the figure for Hungary was 11.9, Bulgaria 13.6, and the Soviet Union 19 babies per 1,000 inhabitants. In the West European countries the birth rate ranged from 9.7 (FRG) to 13.6 (France and Greece) per 1,000 inhabitants. Besides the USSR, only Poland, Yugoslavia, and Ireland have higher birth rates in Europe than Czechoslovakia.

But lately we have seen in our country an unfavorable trend in the development of the median life expectancy of males which, compared to the peak in the mid-60's, is almost one year shorter and today stands approximately at 67 years. As far as females are concerned, the median life expectancy has slightly increased to nearly 74.5 years. The overall mortality rate is approximately 12 deaths per 1,000 inhabitants, which basically corresponds to the situation in the economically advanced European countries with a similar population structure.

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SOCIOLOGY

CZECHOSLOVAKIA

DIVORCE AS SOCIAL PROBLEM DISCUSSED

Prague ZEMEDLSKE NOVINY in Czech 21 Feb 86 p 4

[Article by Karel Klouda]

[Text] In many of our cities and okreses one-third, in Prague even one-half, of marriages end in court, namely, in divorce. This situation cannot leave indifferent anybody who pays attention to the healthy development of our nation and the welfare of our society. Already today, one-third of our children are growing up in broken homes and we can expect that this number will increase in the future.

There is no doubt that there are objective reasons for this state of affairs. Among them are, for example, changes in the awareness of women resulting from their economic independence from men. This is also evidenced in the fact that in recent years it is the women who seek a divorce in most cases. This is a consequence of the inability of men to accept the new balance of power in the family or, conversely, of the women not yet knowing how to properly use their economic freedom.

The official reasons for individual divorces as recorded in court proceedings are, however, different. The reasons most often cited are a drinking spouse, differences in temperament, sexual incompatibility, estrangement, uncivil behavior, or health problems. When you discuss the causes with an experienced judge you hear from him that these are formal reasons, which are good for statistics, but that in addition to them there are other reasons, perhaps more serious ones, which the court is unable to uncover or understand. The marriage crisis ending in a divorce is usually characterized by the culmination of a whole range of reasons and causes with the result that the primary cause for the split is not always fully revealed. Accordingly, the court does not determine the guilty party in the case of a divorce.

Under these circumstances, when we are even unable to understand the underlying reasons for a divorce, are we in a position to try to reduce their number? This question, too, was raised by members of the Constitutional and Legal Committees of the two chambers of the Federal Assembly when they investigated the effectiveness of certain provisions of the Family Law. They were looking for the answers during the investigations conducted by the deputies, at courts, at premarital counseling

offices, and in talking to experts. They learned that an effective campaign against divorce is possible but that it must get under way long before cases reach the courts. For example, it is necessary to improve education relating to marriage and parenting currently given in schools, training centers, and later at marital and premarital counseling offices. Similarly important is more awareness for marriages by work collectives, social organizations, and managers. It is a fact that many marriages are undermined at workplaces by extramarital relations or excessive drinking. People can see this happen but they are guided by the old motto: "What is not burning you, you do not need to extinguish." Especially, this indifference must be changed, the deputies held when they discussed the results of their investigations at the committee meetings this week. This is not a matter of interfering in the private affairs of individuals. After all, our society is spending large sums for the material welfare of families and the education of children. Hence, our society must be interested in creating a situation where our new generation can grow under the best possible conditions.

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SOCIOLOGY

CZECHOSLOVAKIA

BETTER EDUCATION FOR YOUNG WORKERS ADVOCATED

Prague RUDE PRAVO in Czech 21 Feb 86 p 2

[Excerpt] Milan Vondruska, Czech minister of education, addressed the tasks of the curriculum and organizational restructuring of training youth for manual jobs. He emphasized that we increasingly need the most skilled workers. The linkage between socialism and scientific-technical development emphasizes the significance of education, qualifications, and social involvement of the individual. Consequently, the training of educated and qualified workers is of the same importance as modern technical equipment in our enterprises, the scientific organization of labor, and economic incentives.

We often encounter negative phenomena and shortcomings in the upbringing of children and youth, the uneconomic attitude of pupils toward the property of others, cases of serious disruptions in the tranquility of collectives. In order to strengthen the interest of parents and to create social pressure, we have proposed that trade union organs of the parents' workplaces get involved in solving the above problems, especially class cutting.

Analysis of the existing system will facilitate adoption of a revised curriculum and the textbooks which will be introduced in the initial years of the secondary technical training centers between 1987 and 1989. Our decision to offer a broader and fuller general polytechnic education to future workers--citizens of a socialist country--has been justified. Graduates now have broader, more fundamental and more useful knowledge, skills and habits in theoretical subjects. As far as their practical training is concerned, they are almost equal to pupils of former schools.

Many managers are still insufficiently aware of their responsibility in creating conditions for practical education and for concrete results. In many places they fail to see that the period of operational apprenticeship is an indivisible part in training future workers. Pupils are assigned to vacant places, they fulfill only production tasks, and nobody pays attention to the fact that these pupils should familiarize themselves with multifaceted activities in production. Those who are responsible for this state of affairs are among the leading critics who point to the insufficient training of graduates.

We have revised the curriculum and updated subjects in respect to the measures needed for introducing electronics, computer technology, and robotics. In other fields, we have started to offer, beginning with the second semester of this academic year, a compulsory 20-hour course called "Foundations of Automation."

Comrade Vondruska emphasized that the "reason for less interest in equipping the secondary technical training centers with computer technology is that many centers' principals are not sufficiently familiar with this technology."

We have succeeded in creating the prerequisites for promoting pupils of the basic schools to the secondary technical training centers in planned numbers. In the current school year, 260,000 pupils are receiving vocational training at 630 schools in the Czech Socialist Republic.

Many central organs and economic production units fail to sufficiently use the possibility of properly remunerating teachers as spelled out in existing wage directives.

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